Overseas trade

Seed shipment has spin-off for manufacturers

by Warren Berryman

BURGEONING exports of grass seeds from the South Island are closing the shipping gap that has been inhibiting trade with South America.

A record 1200 tonnes shipment of rye and clover seed was loaded in Auckland early last month on a Lloyd Brasileiro freighter bound for Argentina and Brazil.

On March 1 a second ship the Lloyd Brisbane, will dock in Lyttelton, hoping to top this with a load of 2000 tonnes of seed for South America.

At prices ranging from $1950 a tonne CIF for rye grass seed and $1200 a tonne CIF for white clover seed, the exporters are edging North American seed exporters out of the Argentine market.

Red and white clover does well in Chile and the Argentine.

The major snag in costing the first shipment from Auckland was our high internal freight costs.

Bob Owens . . . South American link opens up new markets for South Island goods.

The exporters forked out about $80 a tonne, or a total of $100,000 to New Zealand railways to get their seed from the South Island to the port of Auckland.

To avoid paying this rail charge a second time, the exporters negotiated with the shipping line to cut railways out of the business. An agreement was reached to split the $80 a tonne railways share between the shipowner and the exporters.

Lloyd Brasileiro receives $40 a tonne to divert the ship to Lyttelton. The exporters get a $40 a tonne freight saving.

South Island manufacturers wishing to export to South America can ride on the coat tails of the seed shipment deal, because Lloyd Brasileiro is looking for general cargo from Lyttelton.

Lloyd Brasileiro's New Zealand agent is Sea Trans Consolidated (NZ) Ltd, part of Bob Owens group of companies.

Owens said he hoped to see a regular service from Lyttelton to South America — perhaps monthly.

Lloyd Braseilro has two ships on this run, making the trip between Brazil, Argentina, New Zealand and Australia every eight weeks or so.

It is understood the company might put another ship on the run.

The new direct-link between the South Island and South America will open a new market for South Island exporters — both for primary producers and manufacturers.

South Island manufacturers have long been disadvantaged by high internal freight rates.

Where direct shipping links exist, they often find its cheaper to ship to markets thousands of miles distant than to send goods to Auckland.

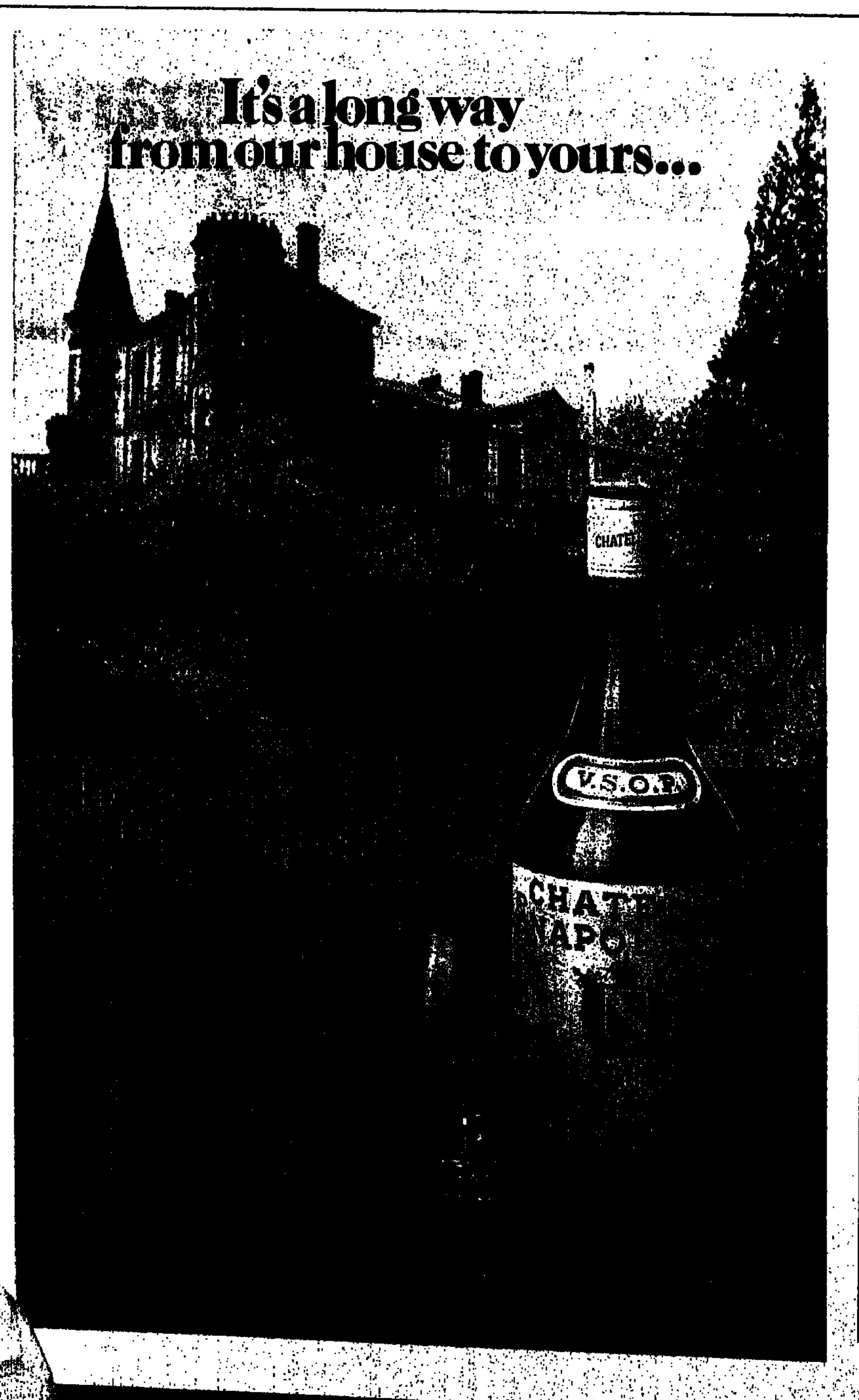
It is often cheaper, too, for foreign exporters than South Islanders to ship to the Auckland market.

One Dunedin manufacturer pays more to ship his goods to Auckland that his American competitor pays to ship a similar product from United States Gulf ports.

Before the Chilean coup and the Federation of Labour's ban on Chile trade, New Zealand was developing a healthy trade with the country and its neighbors.

Dairy products provided the bulk cargos essential for a regular shipping service and manufactured exports followed.

A similar pattern might develop for South Island manufacturers based on the seed trade and direct shipping.



Drinking for lust as much as for thirst

by Warren Berryman

AS international prices for deer antler velvet tumble, an Auckland entrepreneur has come up with a new export — deer velvet liqueur.

Associated NZ Liqueurs Ltd, a small family firm, is tapping into the Chinese belief that deer velvet promotes longevity and enhances one's sex life.

Associated managing director Peter McGregor said he had orders from Hong Kong for 1000 cases a week.

The new liqueur will sell in New Zealand for $35 a bottle.

McGregor said the liqueur contained real deer velvet and ginseng.

He said the velvet cost him $100 a pound. He would be buying about $50,000 worth of it this year.

The new liqueur was made from rectified spirit, which after treatment was indistinguishable from Scotch Whiskey, he said.

He found it impossible to describe the taste of the new product, but said it had Chinese herbal overtones.

Making liqueurs was an expensive business, McGregor pointed out. Some ingredients cost as much as $1000 a pound.

Local sales would be improved if he could sell through duty-free stores, McGregor said. But so far he has not been allowed access to this outlet.

The Hong Kong order hit a snag when the first sample order was pillaged from a Pan Am flight, he said but another sample has been sent.

Success has become a problem. The small family business is not geared to the sort of export orders being received.

McGregor said he could make about 1000 cases of liqueur a week. But with the new orders coming in, he would have to turn out some 8000 cases a week.

Exports by the company last year were $150,000 he said. The Hong Kong order is worth more than $2 million and exports to other countries could bring total exports up to [illegible] million this year.

Gearing up to meet this demand, McGregor said the company had recently increased its capital from $[illegible] to $300,000, bringing in new family interests such as Kaipara Dairy Company and an American agent.

McGregor, whose background is in perfume manufacture and flavouring chemistry, has been making liqueurs for eight years.

His products include McGregors Whiskey Cream and Kiwi Liqueur.

The Whiskey Cream contained 55 per cent New Zealand cream and the Kiwi Liqueur, contained kiwifruit McGregor said.

It is understood that DSIR tested the Kiwi Liqueur for kiwifruit export interests, and the only kiwifruit found was the one pictured on the label.

Kiwifruit was back-blended into the finished product, he said. Last year when New Zealand kiwifruit was being rejected in the United States for chemical sprays found on the fruit, McGregor said his liqueur was tested by the American FDA, and passed.

McGregor would not reveal the exact amount of kiwifruit or deer velvet contained in his liqueurs. That was a secret — and secrecy was his only protection against competitors who would copy him, he said.

McGregor said California kiwifruit interests had already tried to obtain his kiwi liqueur formulae without success.

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

Incorporating Admark

60 cents

NATIONAL BUSINESS REVIEW

Inside

Misled: story on spray rots Kiwi stonefruit exports

by Warren Berryman

STONE fruit orchardists who followed Ministry of Agriculture and Fisheries advice on spraying procedures have had their fruit rejected for export to the United States because of tough American agricultural chemists regulations.

Nearly half this country's $182,000 worth of stone fruit exports have been going to the United States.

Last September, the ministry's chemicals board took a gamble. It recommended to growers that they use Saprol spray, in anticipation of the American's setting tolerance levels for this spray before the fruit ripened.

The gamble did not pay off. The Americans have not yet set those tolerance levels.

Growers who use Saprol have had their fruit knocked back for export.

Saprol is considered the most efficient means of controlling brown rot disease in stone fruit.

But the ministry did not inform growers of the problem in the United States until January. By then the fruit was ready for picking.

Growers who do not use Saprol, spray with Captan, a less efficient process that has to be reapplied every time the rain washes it off.

Exporters are having trouble with Captan-sprayed fruit because some fruit is deteriorating with brown rot.

Thus the ministry is in a cleft stick. It recommends the best spray, and the Americans knock it back for unauthorised chemical residue. They recommend other methods and the fruit is likely to be knocked back by American consumers because of its poor condition.

Some exporters report growers saying that if they can't use Saprol, they will not bother offering fruit for export at all.

Methanol decision hinges on uncertain world market

by John Draper

BY world standards, methanol produced from Maui gas for export will be expensive whichever consortium gets the Government nod within the next week.

BP or Petrocorp will be paying substantially more for Maui gas than the $2 a million cubic feet (28,200 cubic metres) which methanol experts claim is needed to make the plant "very profitable".

And whichever option the Government accepts, the plant will be coming onstream against a background of world methanol surplus.

A British study expects the shortage to last until 1982, when several plants now being built — primarily for export — come into operation.

Mitsui, a major buyer and one of BP's expected partners, significantly is contracting only for supplies for the next 18 months in anticipation of a price drop beyond.

This year world demand for methanol is expected to top 11 million tonnes, 200,000 to 250,000 tonnes above production and climbing to a shortfall of 700,000 tonnes by 1981.

Early in 1982 the British Sulphur Corporation expects the shortage to ease to 300,000 tonnes, turning into a 100,000 tonnes surplus in 1983.

New Zealand's export-orientated plant is unlikely to be in production until late 1983 or early 1984 — longer, if planning objections delay construction.

By 1985, when the Taranaki plant can be expected to be in full production, the world methanol supply is forecast to exceed demand by 400,000 tonnes.

The BP consortium disputes the prediction, claiming there will be significant demand for methanol as an industrial fuel and petrol extender by 1985 as the price of oil continues to climb.

And the increasing demand overseas, plus developments at home, will take all the 2000 tonnes a day the plant can produce.

On paper, it is claimed the 2000-tonne-a-day plant will produce methanol up to $25 a tonne cheaper than Petrocorp's competing 1200-tonne version.

Both consortiums sought and are seeking Government guarantees of a domestic market — BP for 800 tonnes a day and Petrocorp against dumping on the domestic market by the plants built to supply the Mobil synthetic gasoline process.

Originally, Petrocorp and its foreign partner, Alberta Gas and Chemical Company, proposed a 2500-tonnes-a-day plant, but when the Government failed to guarantee a domestic market the proposal was reduced first to 2000 tonnes a day, and then to 1200 tonnes a day.

BP is arguing, through the pages of Wellington's *Dominion*, that the Petrocorp proposal fails to meet criteria set out by Energy Minister Bill Birch last September.

Birch said then the Government wanted "a methanol plant to achieve the maximum economies of scale. Such a plant could be as large as 2500 tonnes a day but the final size would be determined by commercial considerations."

The Government envisaged half the output being used domestically as a petrol extender — M15 — industrial fuel, a diesel extender and for petrochemicals. The balance would be for export, earning $60 million a year.

More recently, Energy Under-Secretary Barry Brill was quoted as saying that methanol would be used only as a petrol extender in an emergency when petrol supplies were severely restricted.

Basic to the Government's decision on which plant to accept is its own forecasts on the future market demand both at home and overseas.

At present the domestic market is tiny, around 10,000 tonnes a year (about a week's production or less from either plant).

Combined with the Australian market, total demand is unlikely to exceed 100,000 tonnes in the near future.

World-wide, neither plant will contribute significantly to production. The Petrocorp proposal adds 6 per cent, BP's 10.27 per cent.

But world production is expected to double if all proposed plants are built.

Demand is growing by 7 per cent a year, insufficient to absorb such rapid expansion.

Much depends on the marketing agreements reached by each consortium leader.

BP wants ICI, the world's largest "deep water" methanol trader, and the Japanese Mitsui Corporation, a large buyer, as partners willing to contract for a total of 1200 tonnes a day.

Alberta Gas and Chemical, which will want a 49 per cent stake in the plant is willing to market Petrocorp's product.

Because the price per tonne will be higher than methanol produced from its own plants in Canada, the New Zealand product will be poolled and sold at an average price.

Petrocorp and Alberta Gas will share equally in any losses if the world surplus is worse than feared.

Petrocorp will also plan to develop its own markets at home and overseas.

The lobbying for each consortium is fierce, with each claiming to be more in the national interest than the other.

Petrocorp is ahead "by a few points", according to Prime Minister Robert Muldoon after last week's National Party caucus meeting.

One point is certainly the greater efficiency achieved by ICI's technology when managed by Alberta Gas.

But BP is not out of the race yet. The Government is giving the Challenge-Fletcher-BP consortium, as it is now being promoted, a last chance to revise its proposal.

Structurally, both are a 51-49 per cent split in New Zealand's favour.

The Challenge Corporation and Fletcher Holdings will lead the 51 per cent stake in the BP scheme, with Petrocorp almost certainly getting a minor share — if that is the Government's choice.

Among the foreign owners, subject to a full multi-million dollar feasibility study, will be BP, Shell, ICI and Mitsui.

ICI cannot lose whatever the Government's choice, because its process is favoured by both consortiums, ensuring an income from royalties. The ICI process is used by 70 per cent of existing and planned methanol plants.

But it is understood ICI will participate as a shareholder only if the project is an attractive investment.

BP is further drawing on the expertise of the Davy Corporation, which has built more than half of the methanol plants now in production.

Against the BP project is its operating economics should demand force a reduction in output destroying the $25 a tonne cost advantage it hopes to have over a smaller plant.

Continued on page 2

The week

THE Government deferred discussion of moves to fund FM radio for another year.

THE bill for oil imports should reach a record $1200 million this year, Energy Minister Bill Birch declared — $400 million more than last year's figures. Petrol rationing was not the answer to petrol-price rises, he reiterated.

THE Employers Federation called for a joint wages conference and will approach the Government and Federation of Labour to make plans. "Unless talks on the wage-fixing process are held immediately, the present system of free wage bargaining is in danger of total disintegration" said federation president Reid.

NEW Lynn MP, Jonathan Hunt, was elected senior Opposition whip; Stan Rodger first-term member for Dunedin North was elected junior whip.

THE Government's growth opportunities Catalogue was published for distribution to investors at home and abroad.

SHOP assistants in the main centres stopped work to vote on their Saturday trading stance. The rest of the 90 meetings in the smaller centres will continue this week, with national ballot results expected February 25-26. Response so far is overwhelmingly against Saturday trade, according to industrial officer Rob Campbell.

THE University Students Union leaked reports showing that the block grant to universities will be reduced over five years (not made apparent by Education Minister, Merv Wellington, when he announced the five-yearly grant). The minister has called Police to make inquires into how the union came into possession of the document.

INSPECTION procedures for wines will be strengthened, Health Minister George Gair told the Wine Institute.

NATIONAL Party president George Chapman will stand for re-election as party president this year.

THE retail margin for milk sold by dairies was increased to 4c per litre from the 3.12c per litre level set in 1977. The price to consumers was not affected.

THE Government announced, as an interim measure, that people holding Rhodesian passports can use them for tourist or business visits here.

TRANSPORT Minister Colin McLachlan and his Australian counterpart, Ralph Hunt, announced a joint study of trans-Tasman shipping services.

THE Government increased the prices for petrol, diesel and fuel oils. The retail price of petrol was up by 5c to 48c per litre for premium grade and to 46.5c per litre for standard grade; the price of diesel rose by 5.6c per litre; and that for fuel oils by 3.5c per litre. The increase was 2 cents less than the amount requested by major oil companies, which reapplied for a further increase of 3c a litre.

NEW Zealand had the best credit rating in the world, according to *Euromoney*. Next came Belgium, France, Sweden, USA, China and Greece. At the bottom of the heap Guyana and Malagasy Republic.

GARFIELD Todd, former Prime Minister of Southern Rhodesia and critic of Ian Smith's regime, was arrested on charges of assisting guerillas and failing to report their presence. Maximum penalty: death.

THE ANZAC political stance on Afghanistan and Iran dominated discussion by the countries Prime Ministers. They agreed on backing American policy, but differed on the separation of politics from sport.

The weeks ahead

MONDAY: Foreign Affairs Minister Brian Talboys will be in London to meet meat company representatives to discuss the lamb market.

Funeral Directors Association conference in Dunedin.

International Federation of Orthopaedic Therapists conference in Christchurch.

TUESDAY: Talboys to meet retail meat trade representatives in London.

WEDNESDAY: Talboys in Brussels to meet with EEC Agriculture Commissioner Finn Gunderlach.

Institute of Personnel Management meeting in Wellington.

Gas Association annual conference in Hamilton

THURSDAY: Talboys in London to meet NZUK Chamber of Commerce

Cadbury-Schweppes conference in Dunedin.

Annual Australian Commonwealth and State Housing Ministers' Conference in Wellington.

FRIDAY: Talboys meets Britain's Agriculture Minister. Peter Walker.

Trade and Industry Minister Lance Adams-Schneider presents Governor-General's Export Award to Delta Plastics, in Palmerston North

SATURDAY: Talboys in Washington for ANZUS meetings.

Series of Labour Party regional conferences begin in major centres.

SUNDAY: Talboys in Washington for further ANZUS meetings.

Poultry Board Egg Marketing Authority conference in Auckland.

United Stores Society conference in Auckland.

FEBRUARY 25 to March: Colleen Dewe will represent New Zealand at 28th session of Commission on the Status of Women in Vienna.

FEBRUARY 28: Permanent heads of departments meet in Canberra for further discussions on Tasman trade ties.

FEBRUARY 29: Deadline for applications to be lodged with Collector of Customs: importers seeking additional import licences (valid September 30) resulting from last year's GATT negotiations.

MARCH: 12-15: Tasman convention of the Society of Accountants in Rotorua.

APRIL 2 Trade and Ind. Minister Lance Adams-Schneider to release 1980 import licensing schedule.

APRIL 8-14: Netherlands Foreign Minister Dr Christoph Van der Klaauw here on official visit (the first by a Dutch Minister for several years).

Exchange Rates

as at February 14 1980

Australia	.8861	Malaysia	2.1[illegible]
Britain	.4255	Netherlands	1.8[illegible]
Canada	1.1392	New Caledonia Tahiti	72.[illegible]
Fiji	.8089		
Japan	235.91	Norway	4.7[illegible]
West Germany	1.6932	Pakistan	9.5[illegible]
USA	.9799	Papua-New Guinea	on app[illegible]
Austria	12.14	Portugal	46.1[illegible]
Belgium	.2744	Singapore	2.0[illegible]
China	1.4576	South Africa	.79[illegible]
Denmark	5.3009	Spain	64.[illegible]
France	3.9641	Sri Lanka	on app[illegible]
Greece	37.35	Sweden	4.0[illegible]
Hong Kong	4.7485	Switzerland	1.5[illegible]
India	7.6725	Western Samoa	.8[illegible]
Italy	784.67		

Methanol surplus

Continued from Page 1

As yet, the operating economics of a 2000-tonne-a-day plant are theoretical. The next largest plant in operation, in Texas, is 1800 tonnes a day.

Most plants planned — 10 our of 16, according to Davy McKee, a subsidiary of the Davy Corporation — will be in the 900-1200 tonne a day range. Two others will be 2500 tonnes, two 1800 tonnes and one at 2100 tonnes a day.

Alberta Gas and Chemical, owned jointly by Alberta Gas Trunkline, a public company with a turnover of $464.1 million and pre-tax profits last year of $139 million and Allarco, a smaller public company with pre-tax profits of $8.7 million, already operates two 600-tonne-a-day plants and is currently building a 1200-tonne-a-day version. Mitsui is frequently Alberta's largest methanol customer.

Petrocorp claims to be buying an identical plant virtually "off the shelf" with much of the specification and design work complete.

Politically, the BP consortium is British and Japanese oriented (towards our two most important trading partners, excluding Australia).

Ironically BP, which is arguing strongly against state involvement in the development, is still more than 40 per cent owned by the British Government.

But past governments have felt strong enough to override the British connections and its implications for the European Common Market particularly when buying ships and aircraft.

But the unassessable "Hungarian factor" cannot be overlooked. Despite the recommendations of three departments to buy Japanese, the Government opted for Hungarian-built trains for Wellington's suburban network, claiming the development of trade with the Comecon nation and the financial package offered outweighed what appeared to be a superior trade deal but more expensive financial package.

Meanwhile, *NBR* understands that Treasury has invited several prominent accounting firms to tender for a study on how to launch Petrocorp, or its subsidiary Petrochem, as a public company open to private shareholders.

The week

Manifestly excessive plan starts modestly

by Rae Mazengarb

TRADE and Industry's "manifestly excessive" import-licensing scheme — introduced in the June 1979 Budget as part of the Government's import flexibility programme — has not resulted in a flood of favourable decisions.

The licences are issued where it can be established that the prices of domestically manufactured raw materials, componentry, plant and equipment are manifestly excessive, or their technology or quality is significantly deficient.

But because each case varies so much, no specific guidelines can be laid down for manufacturers. And the scheme is said by department officials to be difficult to administer.

When announced, the scheme caused some anxiety in manufacturing circles. And there was puzzlement about how the department would interpret such a phrase.

Manufacturers were given some pointers on the scheme last week.

Addressing the Manufacturers' Federation Council, Trade and Industry Minister Lance Adams-Schneider revealed that only 13 licences, with total value of $842,000 had been approved under the policy.

Nine applications had been declined, three deferred because of the textile industry development plan which is still under consideration, and two applications were still being considered at the time of the last report made to him, Adams-Schneider said.

Applications had varied between $200 and $400,000, but most had been under $65,000, he said.

The products concerned were in the areas of chemicals, metal articles, textiles, machinery and electrical items.

In nearly every case, the basis of applications under the policy was a large difference between the price of the locally-produced article and the price for which it could be obtained overseas.

Pointing out the policy has had a "modest beginning", Adams-Schneider said the effects may have been more widespread than the figures indicated.

"The existence of the policy has reminded manufacturers of the necessity to do all that they can to hold costs down".

Citing examples of where the licences had been granted, Adams-Schneider said: "The department is finding that some applications are being withdrawn as a result of suppliers being ready to make adjustments to meet more fully the needs of the buyers once the possibility of an application under the policy has been raised".

Iran's sheepmeat demands pose threat to EEC quota levels

by John Draper

IRAN's hunger for lamb seems insatiable. The order is for more, as much as can be supplied.

And this week the Meat Export Development Company will discuss how much more New Zealand can afford to send Iran without jeopardising long-term export opportunities in Britain.

It is a dilemma the company — essentially the Meat Producers Board and exporters — would rather not face.

To divert more lamb from Britain could be embarrassing when negotiations on a sheepmeat regime for the European Economic Community get down to detail.

The present deadlock between France and Britain may be bargained away at the EEC's annual agricultural price review.

If so, New Zealand almost certainly will be asked to cut deliveries based on past years supplies.

And if New Zealand is diverting supplies from Britain to Iran the pressure for a lower quota may be stronger.

But if the deadlock continues — and Britain is reluctant to agree to any but the lightest of support schemes for sheepmeat — then 1980 could be part of the base period in the calculations of future quotas.

But if the hiatus over a sheepmeat regime continues then selling Iran all it needs may not be of any long-term consequence.

In the short-term, the Iranian appetite is a profitable prospect but one without long-term guarantees.

This year Iran is prepared to take a wide range of grades so long as every carcass is killed in the approved Islamic manner.

Forty nine thousand tonnes worth $110 million are already scheduled for delivery this year but prices are at last rising on the sluggish British market which combined with the strength of sterling are yielding a more satisfactory return.

This season's lamb kill is lagging behind the 1978-79 level. By February 1, 1979, 12.1 million lambs had been through the works. This year the number was only 9.8 million.

Overall the kill is expected to be two million up on last year but an abundance of feed and a schedule weighted to pay more for heavier leaner lambs is encouraging farmers to delay draughting for the works.

Killed, 27,000 lambs should weigh out at 340,000 tonnes, a lot less than meat exporters have already committed to supply overseas markets.

Strike Free candidate

STRIKE Free, the organisation established to act as a watchdog on trade union excesses, will put up a candidate for the Auckland Harbour Board elections this year.

A draft copy of Strike Free's 1980 annual report is said to have announced the intention to run a candidate.

Strike Free leader Chris Harder said a decision on who would run would be made by next month.

The candidate may be Harder.

On why Strike Free should put up a candidate, Harder said: "The Harbour Board allows continuous featherbedding by the waterfront unions, penalising importers and exporters, to the detriment of our export drive."

He cited the 100 per cent increase in the cost of loading and unloading containers at Auckland's Monash Street terminal.

"Rates have gone from just over $200 to more than $400 a container in the past year", Harder said.

The week

DFC fends off fertiliser financing flak

by Rae Mazengarb

A COMPANY that was given the "thumbs down" by the Development Finance Corporation after 12 months negotiations today will select one of three packages offered by finance houses prepared to back the company's $5.5 million expansion programme.

Right up to December, the DFC kept the company waiting.

And East Coast Fertiliser general manager John Campbell complained last week: "If they thought it was far too much in December (by which time the company required borrowings of $4 million), the DFC should have said so right back at the start."

From the company point of view, it had been a wasted year, Campbell said.

The project could have been finished if the DFC hadn't dallied, and interest rates across the board had moved rapidly in the meantime, he said.

Interest rates were "reasonable" last year, but had increased by around 5 per cent.

"If they had said 'no' then we would have negotiated a loan with the private sector", something the company had ultimately been forced to do – one year later, Campbell said.

The DFC agrees it has taken a long time to process the application. But corporation deputy general manager John Holdsworth said it was "a most unusual project requiring special Government subsidies."

Most applications were dealt with in four to five weeks, he said.

The protracted delays had resulted from considerations beyond the control of the DFC. And the project – by corporation analysis – did not stand on its merits.

Other sources say the company's development has been cossetted "beyond the norm".

East Coast Fertiliser approached the DFC early last year, seeking $3.5 million to help finance its new Gisborne works.

By putting a plant into the Gisborne area, ECF apparently hoped to direct its Napier plant toward more fully servicing the Manawatu area, taking business from Ravensdown, the farmers co-operative.

The ECF is said to have approached the Government in 1978 for a regional suspensory loan to help get the project off the ground.

The DFC was called in to assess the level of assistance that would be required.

The "viability" study pointed toward a need for special Government assistance, described by one source as "higher than normal".

A package of further subsidies came ECF's way.

The company was granted a production subsidy lasting some years, which had been refused to a competitor, it is understood.

Campbell agreed the level of Government assistance had been "tremendous" and that his firm's relationship with Government had been good.

"But we wanted an arms-length relationship with DFC", he said.

The company was led to believe the DFC would lend the money, Campbell said.

"We got encouragement from DFC", he said.

"If they had said 'no' 12 months ago, we wouldn't have pushed the matter. We had a misplaced loyalty," he said.

referring to ECF's longstanding relationship with the corporation.

It is understood that the DFC considered the Rural Bank to be the most appropriate source of finance.

Moreover, the DFC judges an application not on the borrower's ability to pay, but on the commercial viability of the project. The project must stand on its own merits.

Campbell said his company had approached the Rural Bank previously, but at that stage the bank was "not happy about financing us".

But there is a hint the Rural Bank may become involved. Asked if the bank was one of the three institutions which ultimately had been prepared to fund the expansion, Campbell said "not per se. . rather the proposal will be a package".

He pointed out that while the DFC's attitude was toward "project finance", the finance houses were concerned only with ability to service the loan and repay it.

Company chairman Peter Plummer said: "The delays in obtaining decisions on the availability of finance . . . have placed us in an embarrassing situation with regard to our consultants, contractors and suppliers."

The DFC has been guarded in response to Campbell's complaints. But it is understood it did not consider the Gisborne plant was necessary to the agricultural industry.

Fertiliser has to be freighted into bulk stores in the region Even with the extension, the acid will still have to be freighted there.

The proposal – even with the present amount of Government assistance given the company – would also lead to a drain on total shareholders' funds, said one source

Holdsworth said the corporation could not make a decision until it was clear what level of assistance Government would grant the company.

Government did not make that decision till around June.

In addition, the company was forced to review its application after the 1979 Budget reduced the fertiliser subsidy to purchasers.

Having reassessed the application on the basis of a reduced subsidy and increased interest rates, the corporation concluded that the project did not meet the DFC's normal lending criteria.

Further, the DFC viewed the project as one which would increase the cost of fertiliser to all farmers.

"The economics were just not good enough," Holdsworth said.

But the company insists, "It'll pay its way – it's just a question of whether it be regarded as part of a whole, or just one project . . . it won't necessarily be viable in its own right in the initial years."

Why businessmen advertise in wharfie magazine

by Warren Berryman

BUSINESSMEN claim they are paying for advertising in a watersiders' magazine from an Auckland publishing house to buy industrial peace.

Part of the publishing company's income is ad revenue for *Port News*, official organ of the Auckland Waterside Industrial Union of Workers. More of it is ad revenue for the official organ of the New Zealand Riding for the Disabled Association Inc. which is produced by the same publisher.

Some advertisers say they take ad space in *Port News* to buy industrial peace and as security against their goods being delayed, pilfered or damaged.

All the advertisers spoken to by *NBR* assumed that *Port News* was published by the wharfies' union and that their advertising dollars benefited union members.

But wharfie union boss Jack Clare said neither he nor his union officers believed in any form of industrial blackmail. Clare said the union neither published the magazine nor received a cent of financial benefit from it. The publishers got all the ad revenue, he said.

Port News gave the watersiders their own magazine, a place to express their ideas and get them across to a wider public. That was the prime benefit derived from the magazine by the union, Clare said.

Port News is put out bi-monthly by REM Printing Co, an unregistered company run by two partners, Terrance Lambert and Brian McSweeney.

Lambert said the wharfies published the magazine and inquiries should be directed at them.

He then hinted that if *NBR* published an unfavourable story about his magazines, industrial trouble might put this newspaper out of business.

After speaking with Jack Clare, and Terry Ryan, of the Watersiders Union, we called Lambert back to check the discrepancy between his and Clare's statements.

Lambert then warned that he was on his way to see his lawyer and that he and his lawyer would visit *NBR's* offices.

Port News is edited by Terry Ryan, a watersider who says he does the job unpaid.

Ryan said he knew nothing about the business side of the magazine.

He said there had been complaints from advertisers two years ago regarding intimidation. But he said this stemmed from the action of one of REM's ad salesmen and this man had been sacked.

Pity for the disabled is one of the prime reasons for the advertising support behind another of REM's magazines. *Riding Tall* is put out quarterly as the official organ of the New Zealand Riding for the Disabled Association Inc.

A prospective advertiser phoned REM last week to ask if any of the proceeds from the magazine went to the association. He was told: "There is a contribution made to the organisation as well as the printing costs and everything. Of course we make a small profit."

Secretary for the Riding for the Disabled Association, Jane Clare, said the association received no advertising money, from REM Printing. All her association received was 1000 to 1500 free *Riding Tall* magazines for its members

Port News and *Riding Tall* are about 120 pages each, most of it advertising.

REM's advertising rate card suggest the advertising revenue from one issue of *Port News* is $20,300. At the same rates an issue of *Riding Tall* would bring in about $17,500.

REM's distribution costs should not be high. According to Jack Clare, the 1200 to 1400 copies of *Port News* are just delivered to the wharf in boxes and left for members to pick up.

Editorial costs should be minimal. Unionists write for *Port News* and association members write for *Riding Tall* free of charge.

Asked how many publications REM produced, Lambert said he could not remember. He declined to name any of his publications.

But Lambert's phone number will connect callers to such publications as, *New Zealand Farmworker* and *NZ Building Inspector*, (a journal for plumbing and drainage inspectors) and perhaps other publications.

Last week a group of potential advertisers called REM's office trying to obtain information regarding advertising rates and circulation for various REM publications.

Each time they were told the information was not available. They were asked for an address and were told a rate card containing all relevant information would be forwarded.

But REM does not provide information about the circulation of its publications. Nor has it supplied this information to any of the ad agencies contacted by *NBR*. These ad agencies say they have repeatedly asked for the information.

Professional marketers who buy advertising calculate how much it will cost to reach a certain number or class of people. They cannot make that calculation without knowing the circulation of the medium employed for their advertising.

But REM seems to steer clear of the professionals at the ad agencies. Instead it phones potential advertisers direct.

Investment study begins

THE Manufacturing Development Council has initiated a study of investment levels in business with the objective of producing a "convincing" document to place before Government.

It is hoped Government will take careful note of the results and introduce appropriate policy in the 1981 Budget.

The study will be undertaken by the New Zealand Institute of Economic Research, but Government departments and organisations such as the Planning Council (which is completing its own report on the subject) have indicated their support for the project.

A preliminary meeting has already been held with industrial interests regarding funding of the study.

MDC chairman John Hammond said the council's concern emphasises the relationship between levels of investment and growth in the economy.

Investment is the key to long-term economic performance, he said, particularly where business is competing with overseas economies which tend to invest more in research and development.

There is no soundly-based assessment of the problem of low investment in terms that would provide evidence for policy changes that may be necessary, Hammand said.

Comment

Editorial

EDUCATION Minister Merv Wellington is obviously keen to broaden the scope of the job of censor which he assumed a few weeks ago. Not satisfied with determining what sex-education material is fit for consumption by our children, he has extended his paternal wing in a bid to protect all of us from the disquieting news that his Government is cutting back its investment in university education.

But his anxiety to keep us from knowing just what the Government has decided is best for us — foiled by the University Students Association — can also be regarded as a shabby attempt to stifle public discussion on the extent to which the State should plough taxpayers' money into education, and into what type of education.

The documents which the Minister considered inappropriate for circulation among the citizenry show that the Government will fund universities at a lower rate over the next five years. They show, too, that the Government is planning a 15 per cent annual rise in students' fees over the same period (which must discourage university opportunites among the less wealthy), and a large reduction in non-academic staff (whose numbers will rise by 80, though university teachers claim there is a shortage of 550). The level of the grant will decline in each year after its election-year peak in 1981 (the politically attractive tid-bit which Wellington did share with us), and inflation will take its toll of the reduced sums, which can only mean a hefty cut in university incomes from the state, apparently, a switch to a user-pays policy to compensate.

It is easy to dismiss education as a "social" issue and to be attracted to user-pays thinking. But there are fundamental implications for the country's economic development in decisions taken on the country's education system. These questions must be thoroughly considered by the public — and not least by the business community whose future expectations must be influenced by the nature and extent of the teaching instilled into today's children.

Education is investment in human capital, and economists have shown it contributes significantly to economic growth. It is no accident that the post-war boom countries of West Germany and Japan place great store in education, and far from being regarded as a state obligation, the money spent is considered prudent investment. And in the United States, one noted study (into the 1930-60 period) demonstrated that education probably accounted for about 25 per cent of the nation's annual growth rate. That was a bigger contribution *than from any other source except* growth in the labour market.

The Government here presumably has decided that other areas provide a better rate of return on state investment. If we are ploughing money into educating people to a level where they recognise they would be better off in another country, and if thus we are investing heavily in Australia's economic prosperity, maybe the Government has a point. But if the Government is to be believed, the 1980s will be a period of economic expansion based on our natural resources. To foster this expansion, we are inviting heavy investment from overseas interests. Cutting down investment in education at the same time is clearly counter-productive.

But Wellington apparently didn't want to invite public appraisal of these considerations when he announced on February 5 that $640.3 million would be spent funding universities from 1980-81 to 1984-85. He did say that funds would be increased as salaries and wages were adjusted, and that the Government had agreed that essential items (such as library materials, heat, light and water, and postage and telephones) would be adjusted for inflation. But it remained for the students to enlighten us in detail with the release of official documents (minutes of a meeting of the Cabinet committee of expenditure held on January 29 and a January 25 report to the Minister of Finance from the Secretary of the Treasury concerning university block grants). According to the documents, funding *this year will increase by $5.3 million to $129.9* million. But the annual totals reduce from there to $129.2 million (1981-82), $128.3 million (1982-83), $127.1 million (1983-84) and $125.8 million)1984-85).

The students — defending their decision to release the documents — claimed the Minister had refused an approach for more clarification on the five-yearly grants. They wrote to him requesting clarification of some points, but the Minister "has refused to answer our requests".

No doubt sensitive to the blow to his credibility, Wellington has ordered an inquiry into how the association obtained the confidential documents. The matter is in the hands of the police, who are investigating Government security arrangements and the possibility of bringing charges under the Official Secrets Act. The Minister, meanwhile has been so churlish as to indicate a severing of communication with the students.

"From now on I will cease to take them seriously," he said, although the evidence suggests their attempts to deal with him had been futile, anyway. It seems he would rather talk to people who don't know the facts than with people who do.

Most absurdly, he has expressed concern at the "clandestine activities of the association" when he himself had been keeping secret details of data of great public interest.

The trouble is, attention will be focussed on *the leakage of information (whose public distribution* has shaken faith in the Minister, perhaps, but done nothing to jeopardise the security of the state). The real question for discussion should be whether the rate of return to education as an investment is high enough to make education cuts undesirable.

Bob Ed

Without word of a lie

So who wants to be the director?

WE note that the New Zealand Planning Council has been advertising for a director (to replace Ken Piddington, who has moved on to become Commissioner for the Environment).

But according to the newspaper advert, applicants seeking further information are expected to contact an executive officer — in other words, to go to one of their future subordinates, in the event that their application is successful. Or could it be that the council has already got a new director (from Treasury, Trade and Industry or Foreign Affairs) and the advert is just a public service formality?

Getting the job done periodically

NOTHING much had happened for some time on the site designated for the National Library building in Molesworth Street.

But last week there was flurry of activity as carpenters and painters moved in.

Construction on the long-overdue building was not about to begin. The fence proudly claiming "National Library" and stopping the public from falling into the enormous concrete-lined hole representing the foundations needed attention.

Damaged panels were replaced and one side repainted.

Maybe it was coincidence, but librarians from all over the country and from Australia were in the capital and Lower Hutt for their annual conference.

. . . and then for the musical chairs

AFTER the serious business of lobbying for a methanol plant has either been rewarded with success for state enterprise or ended in defeat to the forces of private enterprise, Petrocorp should be ready to relax. With a game of musical chairs, perhaps.

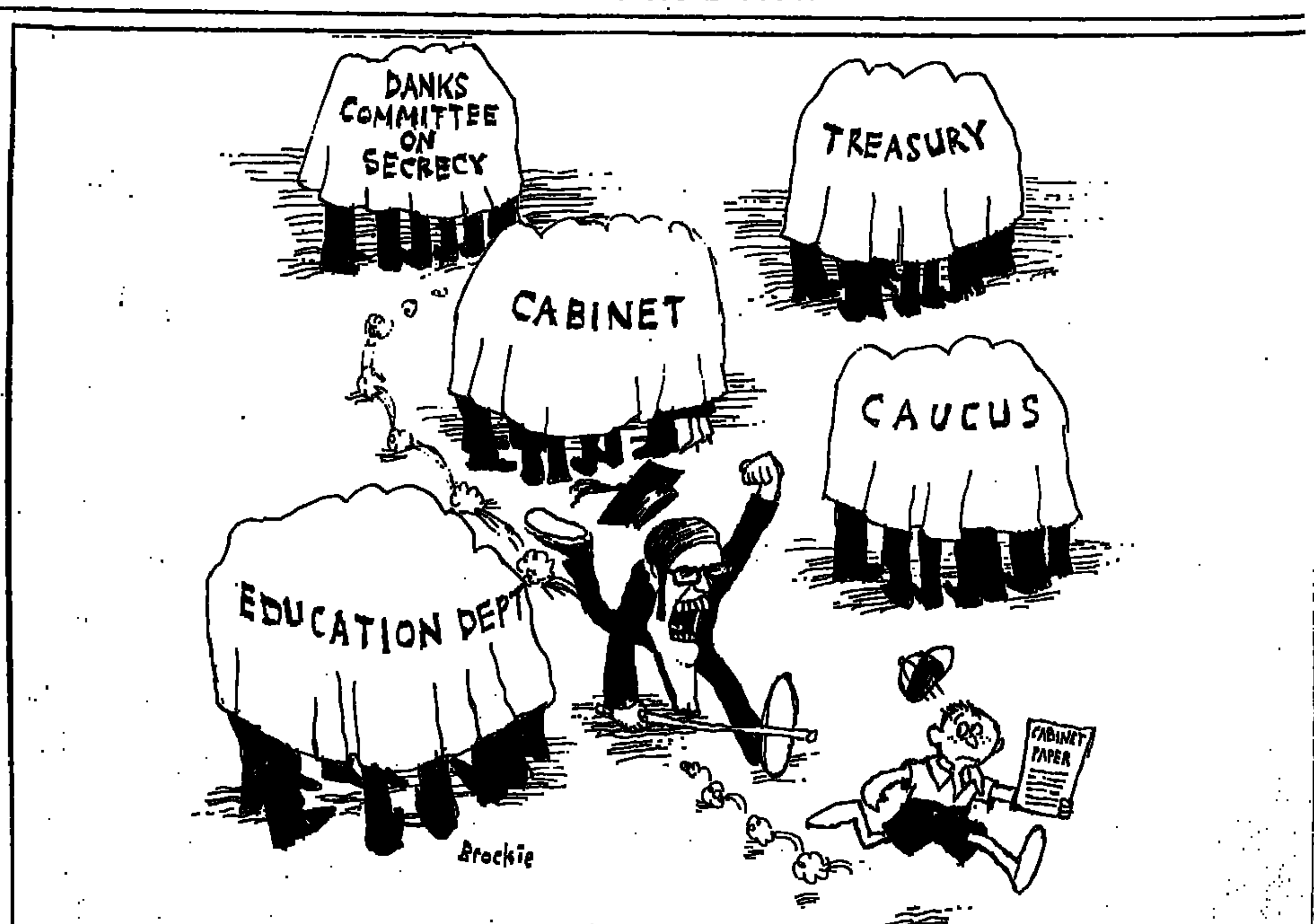
Board member Bruce Smith (former general manager of the Bank of New Zealand) is bound for New York, soon, to become our Consul-General.

So what happens then? Will Smith's seat remain vacant or be filled immediately? And if it remains vacant, will it be filled by Treasury Secretary Noel Lough when he retires at the end of the year?

Lough is on Petrocorp's board already, of course — but he is there as Secretary of the Treasury. Presumably, he will have to make way for the new Secretary (and front-runner Bernie Galvin, of the PM's Department, is not clear enough of the pack to think he's a shoo-in).

And if Lough isn't rewarded with a board post in his own right, you can't rule out the chances of Muldoon's mate, Colin McLachlan, whose experience as Transport Minister is bound to have taught him that the energy which Petrocorp peddles is the stuff that makes those trains and buses go.

Brockie's view



MERV WELLINGTON'S OPEN GOVERNMENT

Police tip-off a load of rubbish

A WARNING to trade unionists: don't throw your out-of-date files on to a public tip.

One Wellington unionist did just that last week while cleaning out his flat.

Along came a couple of businessmen having a Sunday afternoon forage. The file boxes would come in handy, they apparently said, and whisked them off home. Imagine their surprise when they opened them to find cards full of information about a certain prominent Wellington union, whose officials had featured in the newspapers saying their homes had been broken into by the SIS.

What did the businessmen do? They drove back to the tip and put the hot boxes where they had found them.

That might have been the end of it — had they not told one or two friends the curious tale. And the one or two friends told one or two more, and sooner or later the police got to hear about it. So did the *Evening Post*.

And, hey presto, a story appeared saying the police had recovered property which may have been stolen from trade unionists' homes.

It certainly beats shredders for generating a bit of fun.

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Comment

Personal viewpoint

by Owen McShane

I READ and hear around me two popular characterisations of New Zealanders. One describes them as rugged individualists — innovative, pioneering, thumbing their noses at authority, and asking for no more than "a fair go".

The other sees them as browbeaten, submissive, lacking initiative, coddled by the welfare state and totally dependent on a benevolent government for their daily bread.

From where I sit there is some truth in both perceptions.

I am astonished by the innovative high-risk ventures which our individual inventors and small firms are prepared to take on. The advent of microelectronics, a growing awareness of international markets, and our diverse technological background are creating a new wave of entrepreneurs prepared to mortgage house, boat and family to confront the "high-tech" world on its own terms.

Certainly, these innovators seek government assistance where available, but only to make their ventures proceed faster and more effectively. The aid available is small compared with that given their competitors in the United States, Germany and Japan — so they are hardly being coddled.

But at the other end of the scale, I see well established New Zealand business "enterprises", which are totally dependent on the industrial welfare state through its licences, tariffs and general protectionism. Such companies are well described as coddled, devoid of initiative, and dependent on government to maintain their business success.

There are, of course, many substantial companies truly committed to new product development and to acquiring new technology. There is another middle group whose boards have decided on such a policy but whose middle management avoids all risk by rejecting any new project at the first perceived excuse.

Such boards need to set an annual quota for new projects and require their management to justify rejections as thoroughly as they would an acceptance.

But the politicians and decision makers perception of our technological capability appears to be a distorted one. Because of their interest in the status quo, representatives of our most protected industries are to be found in key positions of industry associations, making those associations agents of stasis rather than change.

Consequently these lobbyists indoctrinate our political and other leaders with the vision that New Zealand technology cannot compete in the international marketplace . . . They imply that our consumer industries are so dependent on protection that we cannot hope to export advanced electronic engineering. Should the Federated Farmers advance such doctrine there are well informed farmers in Parliament who would reject it. But at my last count there was not one manufacturer in the House.

It is not surprising that the calls to restructure are somewhat diffident.

In my opinion, the microelectronics revolution presents the greatest opportunity for New Zealand enterprise since the advent of refrigerated shipping last century. In those times technological entrepreneurs launched New Zealand's export based agriculture.

If we are to match their performance today we need to recreate an environment which encourages and rewards risk taking — in all fields including commerce, education, and politics.

I am convinced that New Zealanders are the most cost-effective innovators in the world. This constitutes a valuable resource. Yet so many budget cuts in both the public and private sector are killing off development projects as luxuries which we cannot afford in these hard times.

But any business which has not sat down to discuss the effects of microelectronics on its future is likely not to have a future, unless the industrial welfare state can be persuaded to erect a technology fence around that company and its products. (Where in New Zealand are the educational electronic toys which are preparing overseas children for tomorrows industrial methods? Where are the microprocessor learning kits in our classrooms? Have we abandoned the race already — or don't our officials even know the race is on.)

Risk takers, sources of venture capital, and entrepreneurial enterprises are essential to our economic survival. But instead we see our industry lobbyists panicking at the mere prospect of reduced levels of protectionism.

And our political and labour leaders tell us that to open more shops on Saturday morning could destroy the fabric of New Zealand society. If this is true — or if we truly believe it to be so — then with what level of confidence do we approach the far greater changes inherent in the micro electronics revolution and the re-shaping of our energy future.

There are many 'establishment' companies who are exceptions to these generalisations. My apologies. They are well known and need not feel offended. But maybe it is time for such companies to take the lead in establishing a new lobbying group — a New Zealand Innovators Federation or whatever.

Such a group could be a vocal advocate for all who believe in their ability to compete freely on the world market. This would encourage the government in its efforts to restructure and would help instill in the public some confidence in our ability to handle the challenges of the 1980s.

Owen McShane is manager of the DFC Applied Technology Programme Northern region. These are his personal views — not necessarily those of the DFC.

FOL takes measured steps toward Afghan crisis

by Jim Hopkins

THE FOL's response to the Afghanistan crisis may prove to have shown a lot more savvy — and not a little more ambiguity — than the scribes of the daily press revealed at the time.

After the nine members of the FOL's national executive met at the end of January the media duly, and eagerly, reported them "critical of the presence of Soviet military forces in Afghanistan as a serious threat to world peace and as a violation of the territorial sovereignty of a small nation".

So far, so good. Thus armed, journalists could reassure their readers there were no "Reds under the bed"; or at least none so comfortable they had their slippers on.

But there was more to the FOL's January deliberations over Afghanistan than the headlines suggested. The national executive in fact had a bob each way over Afghanistan.

What's more, they cleared the way to send an FOL representative to Afghanistan in the near future — something which is right now being arranged.

More of that later. For the moment, back to Afghanistan.

Undoubtedly, the nine members of the executive were unanimously critical — after all, they called for the withdrawal of the Soviet "military presence".

But, the same "critical" nine also unanimously noted "with satisfaction the release of thousands of political prisoners and the guarantee by the new leadership in Afghanistan of democratic rights and in particular the rights now guaranteed to workers and trade unions".

That's a noteworthy nod in the direction of Afghanistan's new Soviet-backed Babrak Karmal Government. What's more, the FOL's national executive lined up four square behind Afghanistan's move to Marxism. Its press statement said the executive shared "the obvious relief of the Afghan people at the *initial success* of their 1978 revolution" which is a pat on the back for the intention if not the execution.

The executive went on to "condemn all aspects *leading to* and including the Soviet military presence" which can be interpreted as much as a criticism of the now deposed Amin Government as of the Soviets. Altogether, a more ambivalent response than reports suggested.

Nor did the executive leave things at that. It also pledged to provide "all possible support to the Afghan trade union movement through whatever channels may be appropriate to further strengthen and protect the interests of the Afghan workers and their trade unions". This was possibly the most significant and certainly the most concrete decision the FOL executive took. It gave an opportunity for contacts which has been very quickly followed up.

FOL national executive member and Canterbury Trades Council president, Wes Cameron could well be in Kabul in less than eight weeks (*subject to his union's okay*).

Officially — as an FOL representative, sent to find the facts and determine what support is needed or wanted by Afghan trade unions. The visit's not definite yet — getting into Afghanistan is no easy business. But Wes Cameron has one considerable advantage. He'll be in the neighbourhood.

The FOL has accepted an invitation to a union-sponsored conference in Iraq beginning on March 29. The Iraq event is the 2nd International Conference in Solidarity with the Peasants and People of Palestine. As well as the FOL's man, delegates from Iraq, Syria, Algeria, Palestine, the Soviet Union, Cuba, Bulgaria, India, Italy and Belgium should be along for the four-day meeting.

The invitation to the FOL came from the Libyan trade union movement. The conference has apparently been called by the International Confederation of Arab Trade Unions. Certainly the Arabs will foot the bill for Wes Cameron's trip and the FOL has decided that since he's getting to (and from) the Iraq capital, Bagdhad, cost-free he should make every effort to visit Afghanistan as well.

It's obviously still far from clear that such a visit will be possible, but what is clear is that the national executive did a lot more than simply criticise the Soviet presence in Afghanistan.

Then there was a little matter of FOL secretary Ken Douglas' role in it all. His involvement in the unanimous vote consumed a lot of copy and a deal of speculation.

Many reports took the view, implicitly or directly, that the FOL's secretary had been "shafted", forced to toe the line, served a (deserved?) ration of humble pie. The contradiction between what Ken Douglas, SUP official, told journalists in mid-January and what Ken Douglas, FOL secretary, voted for in late January was highlighted by leader writers and others.

The conclusion generally drawn was that Ken Douglas had been chastised and brought into line; that his union colleagues had told him not to split the movement or exacerbate the situation. Therefore, he had swallowed pride, principles and politics and voted with the majority to make the FOL decision unanimous.

Those who drew that conclusion are wrong. In fact, only one member of the FOL's national executive criticised Ken Douglas for his public party political statement. Ironically, it was Wes Cameron — the man who could be going to Afghanistan — who made the criticism.

But other members seem to have accepted the notion that one man can wear two hats — at different times — and provided the distinctions are made clear.

Furthermore, the suggestion that Ken Douglas' FOL vote was one of grudging obligation also appears to be wrong. If anything, it seems it was Douglas — SUP official — who was going against the grain. At least, that's what the members of the FOL national executive were *told by their secretary — and evidently they* believed it.

This version of events means that Ken Douglas' vote for the FOL position (including criticism of the presence of Soviet military forces in Afghanistan as a serious threat to world peace and as a violation of the territorial sovereignity of a small nation) more closely reflects his own opinions than the SUP line that treaty obligations justify the Russian intervention. Or that he does not share the strong, even doctrinaire, views some SUP officials have expressed.

Ken Douglas won't comment publicly on any of this but unless he misled his FOL national executive colleagues, this assessment of his personal views and loyalties is correct.

Which in turn means that the conventional wisdom that the FOL came close to disarray over Afghanistan is wrong.

And while that misunderstanding may give temporary encouragement to those eager to see the naughty Russians properly chastised, it does nothing in the long term towards a proper understanding by the media or the general public of the FOL or the trade unions.

What journalists chose to say about the FOL and Afghanistan really tells us more about the media and their response to a real or perceived crisis than it does about trade unions — although the careful and turgid wording of the FOL press statement is no aid to obtaining a clear picture.

Nevertheless, what the FOL did was not what the public were told they had done. The trade union Left was not in disarray after the decision: while the public had their headlines, the idealogues had the detail of the press statement to keep them warm. (For example: - you *can* say that the Russian presence in Afghanistan is a threat to world peace *not* because it is wrong but because nasty imperialists are reacting to it in a war-mongering manner.)

Douglas was not privately reproached, although it remains undoubtedly true that the public impression is that that is exactly what did happen. The trade-off there, is that the public relations damage in no way translates into an operational obstruction. For Douglas, it is business as usual.

Union moderates could take comfort in the FOL's criticism of Russia (complete with a compliant vote from Douglas); union radicals can look to the prospective visit to Afghanistan (secure in the knowledge that it has the blessing of more conservative unionists such as Boomer and Bill Anton).

All in all, checkmate, stalemate, or quits.

On January 31, just before he left for talks in Manila, Prime Minister Rob Muldoon predicted that when he got back to New Zealand he would find the FOL in "a hell of a mess" over Afghanistan, with Andersen and Douglas both dropping themselves in it.

Good copy, perhaps, but he got it wrong. There's no mess — just some previously troubled waters with an awful lot of good oil on them. And the FOL did that all by themselves.

Jim Hopkins is a freelance journalist.

Letters

In defence of soldiering

MAY I appeal against Gordon McLauchlan's bodyline bowling at the military in his book review (*NBR* January 28)? Himself a fairly trenchant ruminant on the "cud of self analysis" he now suggests that "what makes a man a good soldier may not be desirable qualities to boast about." No doubt many of the military virtues – loyalty, discipline and steadiness in trying and dangerous circumstances – are very unfashionable nowadays.

Then there is the professional required to manage the controlled use of force. This was never a topic for the squeamish or the trendy. But since these are violent times what would Mr McLauchlan prefer? Rafferty's rules? Rabble rousing – now with more dangerous weapons then ever?

Mr McLauchlan coyly offers us all a collective pat on the back for coming to a keener sense of the futility of war. He's a bit late there. Mr McLauchlan might try reading our little regarded classic "Gallipoli to the Somme" by A C Aitken to find that New Zealanders who actually knew from bitter experiences what they were talking about, were fairly strong on this score 60 years ago. Although Professor Aitken, of course, (unlike Mr McLauchlan) did not go on from there to knock the soldierly qualities of his fellow sufferers.

Despite being a non-military person I have great respect for my service colleagues. I believe that the military contribution to our history as well as the present role of the military deserve serious, not snide, commentary and an appreciation of the realities of the world rather than Pollyanna. As for evolution moving up a notch! In a month where invasion of Afghanistan, apparently deliberate genocide in Kampuchea and flagrant violation of the rules of international exchange in Iran are the stuff of headlines? Chuck it, Gordon!

Denis McLean
Secretary of Defence

Sweet smell of crushed bush

I WAS interested to read Mr Berryman's intoxicating prose (*NBR* January 21) covering the success of the new liqueur known as Ti Toki which is being produced by Balic Estate Wines for the New Zealand and export markets.

While the poetic license of your reporter must be taken into account, it seems that the business lady concerned obtained her inspiration for the new product not only from brood mares, but also from smelling "the sweet scent of crushed native bush" while riding astride a bulldozer.

For the record, the scent is not sweet, nor indeed are the results beautiful to behold. In this particular instance an area of attractive private native bush close to a university scientific reserve was destroyed. The action also resulted, as is usual in these cases, in silt polluting the Swanson stream.

My society, amongst other activities is anxious to draw to the attention of the business community the unique value of the bush-clad hills of the Waitakere Ranges. Future generations should be able to continue to experience their beauty and tranquility. In this context, the thought of the sweet smell of crushed bush inspiring anyone in this day and age is difficult enough for me to grasp, but the thought of our diplomats and overseas guests in Washington sharing in the experience appals me.

Gary Taylor
Secretary
Waitakere Rangers Protection Society Inc.

Direct drilling developments

MONSANTO'S Allan Scherp (*NBR* January 21) can't be allowed to get away with his sweeping statement that New Zealand is years behind the British and Australian experiences (in direct drilling).

In the field of coulter design absolutely crucial to the success of direct drilling and research into seed germination requirements under direct drilling, the reverse is true.

John Baker and his team (far more than two) at Massey University's Agricultural Mechanisation Department have over the last seven years of research produced both a practical coulter system and trial results which are of world wide interest.

The coulter system is the central feature of a totally new direct drill being developed by the Wanganui firm Aitchison Industries, which has now reached the manufacturing stage. This drill 'the Seedmatic 2000' is almost certainly the most advanced and versatile direct drill in the world, and there is world wide interest in it.

Whether New Zealand farmers have necessarily been slower than their overseas counterparts to take up direct drilling is also debatable.

One important factor has been that Roundup (glyphosate) which is undeniably one of the other key elements in the development of satisfactory direct drilling techniques, has not been generally available in New Zealand as long as it has been in some other countries. Britain in particular.

It seems certain that direct drilling is poised to expand rapidly in New Zealand, due to the recent conjunctio[n] three main elements – be[tter] equipment, better chemi[cals] and most important a [...] shortage.

Neil Ro[ss]
Aud[...]

Urban renewal pushes elderl[y]

THE changing pattern of [in]ner-city living is highlig[hted] by the Harrop story (*N[BR]* February 11, 1980). Five y[ears] ago, in the Mt C[ook] (Wellington inner city sub[urb]) most of the inhabitants [were] elderly or tenants. Then f[ol]lowing the world-wide [trend] the middle income p[rofes]sionals started to move in.

The interesting thing [is] politicians of every type [of] conviction hopped o[n the] band wagon of urban re[newal]. The Housing Commiss[ion] studies. The Housing C[orpo]ration provided ass[...] The MPs, councillors, [and] others all queued up f[or] kudos. They even [...] tours.

The real question [that] arises is what has happ[ened to] the elderly? Are th[ey in] homes? What has happ[ened to] the tenants? Have they [moved] to the outer suburbs?

Both of those altern[atives] will cost us money, a[nd] social problems that [arise] when you have high c[oncen]trations of people of the [same] type together whether t[hey are] tenants, the elderly o[r any] other group has also got [...]

H J He[...]
Welli[ngton]

"He had me worried there for a moment."

Politics

Social Credit holds key to others' fortunes

by Colin James

BY the end of this year we should have a pretty good idea of what will happen to the 1978 spring tide of Social Credit. Will it turn to a flood or sink back into solstitian regularity?

If:
- the league's standing in the polls holds above 20 per cent;
- it keeps or expands its membership; and
- it makes substantial progress towards its $1 million campaign fund,

then it will be a critical force in 1981.

If, on the other hand:
- its polls support slips below 16 per cent;
- its membership drops; and
- its fund-raising runs into difficulties,

then we may concentrate on the two main parties.

Anything in between will leave the crystal ball clouded.

At first last year, both main parties seemed to take the view that things would get back to normal of their own accord in 1981 and they could go back to slugging it out on their own terms.

But as the year went on, both Labour and National strategists took the Social Credit threat increasingly seriously.

Labour recognised that if it did not do something, it was in danger of being relegated to minor party status in the country towns and countryside of a large area – roughly the north-west half of the North Island.

Since the country towns are crucial to obtaining and holding power for any length of time – a lesson Labour took a long time to learn in the 1920s – the need to re-establish a strong Labour presence there, even though there was no hope of winning the seats, was obvious.

Failure to do so could have a flow-on effect in marginal seats in the large towns and suburban areas of the cities.

In went Bill Rowling and waves of "shock troops", principally to bolster party members' morale in towns like Te Aroha and Kaikohe, but also to put Labour back on the public map.

Ths tactic seems to have achieved at least partly the first objective and Labourites claim went well towards the second as well.

Locals are less impressed. They are inclined to dub the foraging Labour MPs "stormtroopers" and note a lack of follow-up.

National at first regarded the Social Credit upsurge in 1978 as unreal – the exercise of unwonted freedom by people who were supporters at heart but had some gripes.

Logically, such people should come back to the fold if they thought there was a real danger of losing the Treasury benches to Labour.

But tours by leading members of the organisation during the second half of the year convinced them the situation was serious.

Whatever the threat to Labour, the threat to National was more direct, since it is National seats that are principally at risk.

And in those seats voting movements can prove to have local characteristics that differ from and may even defy nationwide trends.

In Kaipara, for instance, the shift to National from Social Credit was an alarming 20 per cent, on a two-party basis. The majority went down from 5766 (on paper) to 520.

Down in Rangitikei, Bruce Beetham showed what the right candidate at the right time could do to an apparently impregnable National position Before he came along Social Credit impact in the area was small.

The problem facing National seems to be twofold: to deal with peculiarly local factors (for example, a weak local MP or a local ambition thwarted); and to deal sufficiently with national causes of discontent so as to lessen their local impact in seats where dissidents see there is a chance of making their voice really felt.

Thus, National might feel that it can get by with a softly-softly attitude to union power.

In seats where Social Credit has never been strong, this proved to be so. But where Social Credit was strong enough to be a potential alternative, those who wanted a tougher attitude could make their voices felt.

And, when joined by Labour voters who saw a chance of unseating their main enemy, the National dissidents carried some clout.

So, for example, National might find that even if the nationwide Social Credit tide recedes, it may stay high in some places.

One such place is Northland.

Toward the end of last year, Social Credit dipped in the polls in the wake of David Lange's election as deputy leader of the Labour Party.

From 23.5 per cent in October, it fell back to 18.8 per cent on December 8 in the *National Business Review*-Heylen poll.

But there is precious little evidence of any such retreat in Bay of Islands, the northernmost electorate.

Localised complaints abound in this traditionally maverick area, where there is a strong sense of isolation.

Up there they do not complain about centralisation on Wellington – which is about as remote as London. They get uptight about centralisation on Whangarei.

It must be a nightmare electorate to represent as a member of the governing party. Appalling communications problems – bad roads and telephones – and chronic unemployment and low incomes mean that no Government could come out smelling sweet unless it force-fed the place with goodies.

At the very least, the local MP needs to be an outspoken battler for parochial interests. Neil Austin has the misfortune to be regarded by many as neither outspoken nor sufficiently parochial.

I found a battery of criticism: "He's always defending the Government." "You never see him." And more cruelly: "If they had had (Les) Hunter as candidate last time I would have voted Social Credit."

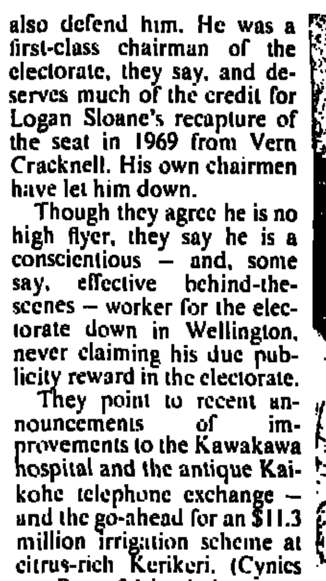
National Party members acknowledge that this criticism exists – and some share it. There have been minority mutterings, so far without accompanying action, that a new candidate is needed. One school of thought argues that having a Social Credit MP for three years is a reasonable price to pay for a new National MP in 1984 though such heresies tend to lose force as an election approaches.

They also defend him. He was a first-class chairman of the electorate, they say, and deserves much of the credit for Logan Sloane's recapture of the seat in 1969 from Vern Cracknell. His own chairmen have let him down.

Though they agree he is no high flyer, they say he is a conscientious – and, some say, effective behind-the-scenes – worker for the electorate down in Wellington, never claiming his due publicity reward in the electorate.

They point to recent announcements of improvements to the Kawakawa hospital and the antique Kaikohe telephone exchange – and the go-ahead for an $11.3 million irrigation scheme at citrus-rich Kerikeri. (Cynics say Bay of Islands is a marginal seat.)

Two tough battles still on his plate are to get a special subsidy for fertiliser-hungry Northland farms and to keep



Les Hunter . . . on Socred climb

the Opua port going. If he fails on the first, some pro-National farmers believe he will lose the seat for sure.

So, locally, Social Credit is the party of discontent, a useful whip to crack.

Nationally, it has a different story to tell.

Analysis of a recent *NBR*-Heylen poll suggests that Social Credit continues to recruit more from Labour than National.

The analysis suggests also that it is recruiting well among younger age groups, in the smaller towns in the northern half of the North Island and among lower income groups and the occupational categories in which Labour has normally found its strongest support – manual workers, particularly the skilled tradesmen and craftsmen.

Broadly speaking, these groups tend to be more pessimistic about the economic future.

Though it is hazardous to draw too definite conclusions from this analysis of a single poll, it does suggest that Social Credit's standing at the end of the year will be influenced, perhaps strongly, by:
- the extent to which Labour can shore up its manual worker vote, particularly in the smaller towns; and
- the extent to which National can turn round confidence in the economy.

Intriguingly, because each of the main parties has so much to lose from a continued Social Credit climb, the extent to which each of the two main parties can achieve the above objectives will have an indirect effect on the other party's electoral health.

With fortunes so finely intertwined, this year promises fascination. Roll on the next few months for the first indication of how it is going to go: the beginning in earnest of Social Credit's $1 million drive.

It may prove a case of money for the bag.

New decade faces depleting workforce

Economics Correspondent

SOME time this decade, the economy must begin to improve.

After so many years of low and even negative growth, the recession must have almost bottomed out — and once the bottom is reached, the only way the economy can go is up.

But will we be ready when growth comes?

Are firms going to be able to find enough labour to make the most out of an increase in world demand when it comes about? Will there be enough administrators and skilled personnel around to organise enterprise so that it can get the greatest advantage from growth?

Based on recent population trends, the answer to these questions is probably NO.

The population has fallen for the second year in a row. At September 30, 1979, the total population was 3,105,800. The latest figures show a decrease in the population by 7000 persons.

Between September 1977 and September 1978, the population decreased by 2300 persons.

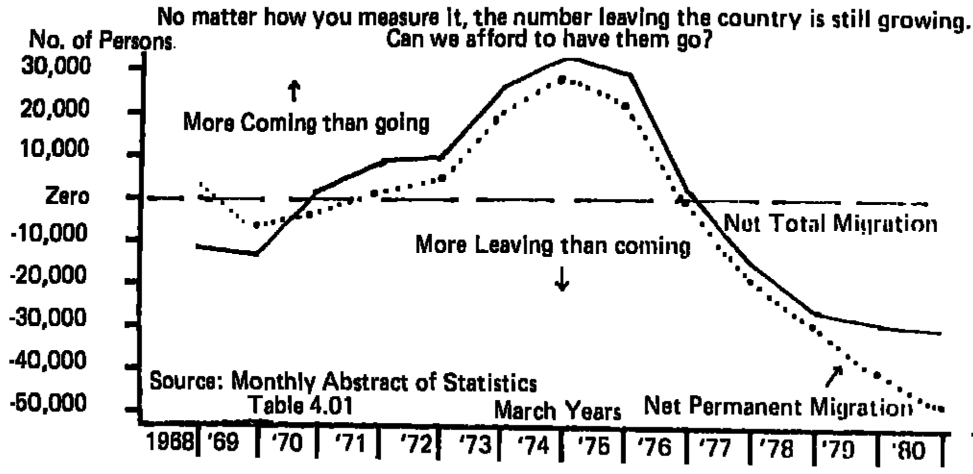
If this change in population was caused by a drop in the birth rate or an increase in the death rate, it would not have a very great impact on the labour force in the 1980s.

But natural increase (the excess of births over deaths) made a positive contribution to population growth during 1979, as indeed it has for most of New Zealand's history. The rate of natural increase accelerated last year.

The decline in population is explained by the continuing increase in net outward migration. More and more people are leaving the country. And the number of arrivals is slowing.

For calendar year 1979, there was a net migration loss of 27,467 to the population. A year earlier, the net migration loss was 26,285.

While the net migration outflow is substantial, the picture is even more depressing when migration is analysed in terms of people leaving the country on a permanent or long-term basis. In calendar year 1977, 26,896 more people left the country than came to live permanently. Last year the outflow was 41,868.



Never before in the country's history have so many people permanently left the country during one year. And at other times, there was some certainty that most of those leaving would return, either when the world wars came to an end or when the economy picked up again.

But most of those who leave are migrating to Australia and it seems likely that they will stay there. The climate is better, taxes are lower, and wages are higher for those with skills.

And it is not too far away from the old home fires. It costs less to fly between Sydney and Auckland than it does to fly between many cities in the South Island and Auckland.

Australia does not offer many of the welfare state advantages that are available here. It costs more to get an education and for health care. But these costs are relatively insignificant to those talented people who can get high paying jobs.

Is New Zealand becoming the safe harbour for the active seas of the Australian labour market? Can you blame enterprising Kiwis for taking advantage of the sheltered life in New Zealand to get their training and then wandering off to Australia to apply their skills?

Most of those leaving are under 24 years of age.

With rising unemployment and the prospect of new labour saving technology on the horizon of this new decade, it may be no bad thing that so many young people have decided to seek their fortunes elsewhere.

In the run-up to the 1981 election, the Government must be delighted with the prospect of being able to shift the growing unemployment problem to Australia's shores or even further afield.

But it is not the unemployed who are going overseas. An increasing proportion of those leaving this country are actively engaged members of the labour force.

The percentage of permanent and long-term migrants who were active members of the workforce is now running at over 70 per cent compared with about 60 per cent 10 years ago.

And there is a growing trend for those with identifiable skills to leave. The outflow of workers with professional training or administrative skills is increasing more rapidly than for other skills.

There were large net migration outflows during the late 1960s. But many New Zealanders returned when the economy picked up in the early 1970s.

Even so, they did not return soon enough.

Trade surpluses enjoyed since the late 1967 devaluation increased the country's overseas assets and reduced overseas indebtedness so that there was a balance of payments surplus in 1970.

The strong external trade position meant that incomes were growing, money and credit were expanding and there were more jobs available.

Domestic output initially increased and economic growth was around 5 per cent.

But domestic output could not keep pace with the increase in private incomes. Because of a shortage of labour, firms could not gear up fast enough to meet the demand.

Export potential overseas did not interest most businesses because they were too busy coping with the temporary burst of domestic demand. And a world commodity price boom provided a mirage of healthy export conditions.

When consumers found their appetite for spending could not be met locally, they looked to imports to fill their bellies.

Producers also looked to imports to provide technology where labour was not available. Since exports were not growing in volume terms, the balance of payments quickly deteriorated.

If there had been enough skilled, experienced people around in the early 1970s, instead of a labour shortage, things might have gone differently. The world commodity price boom might have provided just the right stimulus for the real growth in export volumes needed for long-term growth.

But these people did not come to the country in great numbers until the mid-1970s. And now many skilled people have gone back out again.

Time will only tell if history is to repeat itself in the 1980s.

Travel allowance debate drags to end of road

A ONE-MAN commission of inquiry into travel allowances and whether they should be taxable has completed its hearings and reported to the Government.

The inquiry was conducted by Auckland accountant and tax consultant William Wilson, who had been due to report by the end of November, but was given until the end of last month while he awaited information from overseas.

The inquiry was set up by the Government after an argument arose as to whether the travel allowance received by some Air New Zealand staff should be taxable. The Inland Revenue Department decided that the allowances should be taxable.

The Federation of Labour was called in as industrial action threatened. The commission was established.

In this two-part article, Ric Oram looks at the issue, and how the major groups affected feel about it. This week: the social aspects, the cost, and the law.

THE question of travelling to work, the time and effort, and who should bear the cost, is neither new, nor peculiar to New Zealand.

It is not just a taxation matter either: it is also a social, economic and an industrial one, which makes it so complicated.

And if there is not to be any tax deductibility for allowances, what about the taxis paid for by the employer, or buses put on by the company, or even the company car for the executive and salesman. Is it fair on the employee who has to catch a bus or drive his own car to have to meet the costs of travel out of his own pocket, when others do not have to?

This is the setting in which the inquiry into travel allowances has been held and in which the Government must make a decision.

Most of those heard by the commission favoured some form of tax deductibility for travel allowances. Unions and private employers want it — but not the Government's employment agent, the State Services Co-ordinating Committee.

As communities expand, getting to and from work can become a full-time job in itself. The *Wall Street Journal* has estimated that several hundred thousand Americans travel more than 200 miles to work every day, involving up to six hours travel a day.

Indeed, getting to and from work can become harder than work itself.

Former Auckland Clerical Workers Union Secretary Brian Brooks commented in an industrial relations paper: "It may be more of a strain travelling to and from work in Auckland or Wellington than actually being at work. Work neuroses may be inflicted on the way to work rather than at work."

The Federation of Labour told the commission it was no longer valid to think that people can choose where to work, because of increasing unemployment and increasing concentration of business and industry, increasing housing costs, and so on.

Most wage-earners have no choice, but to travel increasing distances if they want work, the FOL claimed.

It also pointed out that travel costs have risen steeply because of fuel cost increases, putting a heavy commuting burden on wage and salary earners, particularly the lower-paid.

Along with the FOL, the Engineers Union and Clerical Union acknowledged that tax laws assume that the cost of getting to work is not tax deductible.

But the two unions said that principle was created at a time when living and working conditions were significantly different.

Most people could live close to work, and if there was a change of workplace, it was not difficult to change residence.

But most people today are forced because of housing costs or the absence of suitable housing to live significant distances from their workplace.

Cost has become as much a problem as distance and time spent travelling. Again, it is not just a New Zealand problem.

There are reports of rail fares costing London workers up to a third of their wages, just to travel to earn those wages. And some British commuters have given up secure jobs because they could not afford the time or expense of getting between home and work.

Much of the problem is simply this: town planning ordinances set commercial and industrial sections apart from residential areas, so it becomes more difficult to find work close to home.

Property values rise, and new home-owners are forced into outer suburbs, and away from established commercial and industrial areas. Travel becomes more costly.

Particularly in the past two years, fuel costs have leapt and largely-ignored public transport authorities have upped their fares to cover or reduce losses.

But has this cost outstripped the rise in incomes. No, according to an Employers Federation study, and figures presented by it to an inquiry into travelling allowances in the freezing industry.

Basing its study on an average-sized family saloon, and what it cost to buy a new one, the federation found that in 1950 the average male factory employee's pay for 4000 hours equalled the price of that car. More than 25 years later, the average worker's rate required him to work only 1726 hours to buy the car.

It can also be said that the cost of travel is substantially paid for by wage rates. Transportation is taken into account by the Consumers Price Index — and much of our wage-fixing is based on the CPI (general wage orders, cost of living adjustments, and wage claims themselves).

The expenditure weighting for transportation in the 1974 revision of the CPI was increased from about 10 per cent to almost 15 per cent.

Within this group, the weighting for public transport dropped from over two per cent to just over one per cent, while the weighting for private transport was nearly doubled to about 14 per cent (covering purchase of vehicles, maintenance and running costs).

So, in the cost area, it is possible to argue that cars are relatively cheaper now than they were 30 years ago. And, to a considerable degree, running costs are already paid for by wages.

Perhaps the following sourceless quotes reflect the two ways of looking at the legal situation:

- "The object of the journey, both morning and evening, is not to enable the man to do his work, but to live away from it."
- "After all, the only reason one goes to work is to earn one's living . . ."

The Inland Revenue Department follows overseas practice in denying transport costs to and from work as a deductible item. Officials consider that putting oneself in a position to earn income is different from expenditure incurred in producing that income.

The department will allow travel to and from work as a deductible item only if the employee is required to use his vehicle as part of (and during) his daily employment.

In a letter to the Combined State Unions a year ago, the department said the cost of getting to and from work is a private expense, and not incurred by the employee in deriving his income.

Strictly speaking, then, all allowances paid to cover expenses of travelling to and from work (irrespective of time or distance travelled or the amount of allowance or the availability of public transport) should be regarded as assessible income in the hands of the employee, it said.

But because of long-standing arrangements with certain industries where travel allowance payable to night workers had been treated as reimbursable (and therefore non-taxable), the department decided that when a reasonable allowance was paid to employees who start or finish work between 10 pm and 6 am, there were grounds to recognise that the allowance could be regarded as exempt.

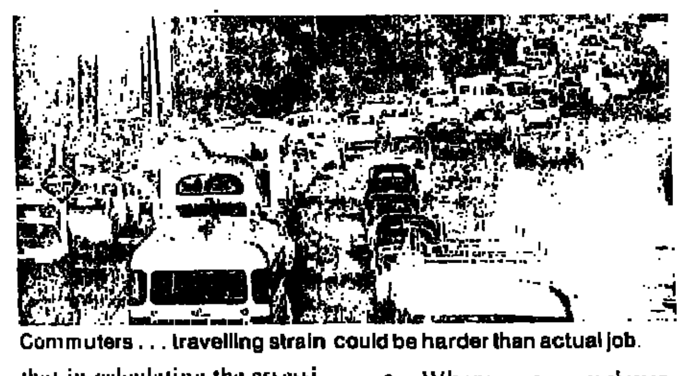
"Therefore, we have no option: those between 10 pm and 6 am are exempt: all others are liable," the department said.

The Income Tax Act does not specify what sort of expenditure may be exempted, however, and it is up to the commissioner to decide if the allowance reimburses the employee for expenditure exclusively incurred in the production of his assessible income.

The commissioner's decisions are based mainly on court decisions on the relevant sections of the Act.

These are:

- Section 73, which says the commissioner may determine whether and to what extent any allowance constitutes reimbursement of expenditure and that the allowance shall, to the extent so determined, be exempt from income tax.
- Section 104, which says that in calculating the assessible income of any taxpayer, any expenditure which is incurred in gaining the assessible income may be deducted from the total income.



Commuters . . . travelling strain could be harder than actual job.

Perhaps it was translating those sections, when the department told the commission:

- The cost of travel to and from a fixed place of work is not allowable as a deduction against an employee's wages, because the expenditure is not incurred in gaining or producing assessible income. And in any event, in the case of wage and salary earners, it is specifically excluded by the Act.
- Where an employer provides a cash allowance to and from work, the allowance is assessible income in terms of the Act. It cannot be exempted as a reimbursing allowance because it does not reimburse expenditure exclusively incurred in producing the taxpayer's assessible income.
- Where an employer provides free transport by way of bus or a company car, the value of such benefit is not taxable, because the benefit is not in cash or convertible into cash.

Next week: The Industrial relations and moral aspects.

Black not director of Commodore

IN our issue of August 15, 1979, we stated that Leonard Black, of Essex, was understood to be a director of Commodore General Insurance Company Limited, of Hong Kong.

We have subsequently been informed by Leonard Black that he was never a director of Commodore General Insurance Company Limited.

While our report was based on information that we had no reason to doubt, we are pleased to give this opportunity to Black to clarify his position.

Management

Freezing works lays itself on analysts' couch

by John Draper

WHAT the workers think about the boss is not always what he wants to hear.

But a dispute-riddled 1978 season in the freezing works encouraged Borthwicks to find out.

The results, which were not always pleasant to hear, are already affecting management thinking and decision making.

In strict confidence, a team of Auckland University researchers writing as consultants, interviewed 151 employees selected at random from senior management, office staff supervisors and trades groups asking:

- what general problems they had with their jobs;
- what were the best things and worst things about working for Borthwicks; and
- what they thought the most important things that should be improved for the well being of the company and its employees.

Freezing workers, following a ruling of their national union office, which was still smarting at the publication of the Inkstone survey, declined to take part.

Borthwicks-CWS managing director Bill Gordon said the survey grew from a seminar on labour relations for senior management from Australasia convened in Sydney in July 1978 under the leadership of Professor Tony Eccles of the London Business School.

"We had to get off the merry-go-round," Gordon said. The previous season had been severely disrupted and a major confrontation was only averted by the Government making a grant to the freezing companies to buy industrial peace.

"We were not getting anywhere. Everyone was blaming everyone else for the disruption," Gordon said.

The survey was a deliberate attempt to break "the vicious circle."

The reluctance of the freezing workers to take part nearly halted the project before it started, but the research team claimed the opinions of other groups in the works would accurately reflect the attitude of the meatworkers.

Gordon says the decision to proceed committeed the company to act on the results.

"You cannot raise people's expectations only to let them down by doing nothing. That creates more bad feelings than if they had been left alone in the first place," he said.

Senior management was strongly criticised by staff for not communicating, for giving in too easily to the meatworkers union and for over looking the importance of other groups in the industry.

Clerical workers claimed to be second class citizens, the "forgotten workers." Tradesmen claimed there were too many bosses and were most critical of the way money was spent on modifications for hygiene standards.

Works managers and supervisors showed particular concern over communications claiming they were not always informed of decisions directly affecting them.

Meat inspectors employed by the Ministry of Agriculture and Fisheries were disliked by most groups.

And the feeling running through most questioned was that the company lacked any clear industrial policy and was therefore unable to take the initiative in negotiations particularly with the Meatworkers Union.

Personnel manager John Wilson, whose department came under the heaviest criticism, was prepared for a battering.

Not all of it was fair, he said. But to the people making the statements what they said, to them at least, were the "facts", highlighting the communications gap.

Wilson said many anomalies and discrepancies were thrown up not only by those interviewed, whose views were moderated by their colleagues at each level before finally being compiled in a report, but in the subsequent five day management seminar at Rotorua to analyse the results.

Typical was promotion with some groups wanting each position to be advertised while others urged a more progr[essive] training programme.

On the positive side wo[rkers] management enjoy the [pay] and fringe benefits w[hile] supervisors, 99 per cent [of] whom are promoted freez[ing] workers, welcome the secu[rity] of a salaried position.

Borthwicks views the sur[vey] as developing "human r[ela]tions" rather than prom[ising] immediate industrial [har]mony.

Gordon says there are [no] and will not be specta[cular] results. Now the compa[ny is] working quietly to put the [first] stage into effect. Four pr[oject] groups, each with a limite[d] and objective will be se[t up,] one in each of the [works] managed by Borthwicks.

Others will follow, [pro]gressively working from [the] easily resolvable at low [level,] building the confidence [of] management and work[ers to] tackle to the more dif[ficult,] expensive and indust[rially] dangerous.

Gordon admits that s[ooner] or later there will have [to be] some blood letting.

Tradesmen and super[visors] are becoming partic[ularly] concerned at the er[osion of] relativities between their pay and the freezing w[orkers] and the lack of commit[ment] by many freezing worke[rs to] the job.

Either way the situat[ion is] potentially explosive [for] management, though wor[king] out a solution is one [of] Borthwicks long-term o[bjec]tives.

Job commitment is re[cog]nised as a major problem [and one] that can be easily measure[d in] absenteeism, machi[ne] sabotage and poor worker[man]ship. It is also one of the [most] complex to solve.

An attempt will be made [to] give tradesmen more aut[on]omy and responsibility at [the] works bringing them in [line] with their colleagues [at] Longburn near Palmer[ston] North who manage their [own] stocks of spare parts.

Store "losses" are [not] significantly different [at] Longburn than at other m[ore] strictly superised works whe[re] tradesmen have to go thro[ugh] the lengthy process of app[ly]ing for replacement parts.

But attempts to reorga[nise] maintenance crews into [new] shifts, eliminating end[less] boring hours of doing nothi[ng,] though welcomed at wo[rks] level have met with opposi[tion] from the union officials.

For management the su[rvey] has concentrated thinking [on] specific problems.

"It has highlighted area[s to] us which we were aware o[f] as individuals but not a[s a] collective management," Wilson said.

"We now have a collecti[ve] management commitment [to] do something about them."

Senior management are a[l]ready committed. The mes[]sage is now working from the apex of the pyramid throu[gh] works management to [the] shop floor.

If it gets through the pay[off] — a word Gordon and Wi[lson] would rather not use — wil[l be] in improved "human re[la]tions", a better understandi[ng] of the problems of oth[ers] which in the long [term] Borthwicks hope will even[]tually be reflected in bet[ter] industrial relations.

Profile

Driving into exports with mail-order components

by Ann Taylor

Jim Coyle . . . 4000 lines stocked in his warehouse

MICROELECTRONICS and leaping from aeroplanes at first glance don't have much in common. But Jim Coyle insists he runs his electronic components supply business as if he was constantly parachuting.

"When you open a chute you've got 12 seconds to live. I commit myself to situations that I know are going to work — during the time specified if possible."

Coyle started Kit Parts Ltd 10 years ago. Primarily a mail-order componentry outlet for electronic and microelectronic hobbyists, the company is on the verge of a growth explosion, he says.

Estimated turnover for the next financial year, depending on the company's export effort, is half a million dollars.

Kit Parts, a registered company in Coyle's and his wife Jan's name, has a capital of $25,000.

Coyle, a one-time skydiver, says the microelectronic industry, on the brink of a predicted 25-year revolution, has "more potential then anything I've ever seen in my life".

Coyle explains that the number of people able to enter the field is restricted. "You need to have a knowledge of electronics and a business/marketing sense."

"We understand what we're doing and have a reasonable business knowledge, and are quite proud of our company."

All Kit Parts staff have been there at least five years, and some of them eight.

"I'm actually just learning about computers," says Coyle who claims he spends 40 hours in a 100 hour working week reading while his staff of seven look after the business.

"The market is forcing me to. There are a lot of real enthusiasts now turning to the microprocessor".

The company's main operation is to buy up surplus stock, in excess of manufacturers requirements, which tends to be cheap.

It sells cheaply and changed last year from ordinary retail status to become New Zealands first open trade electronic warehouse.

Some 4000 lines are stocked and Coyle has some amusing stories to tell.

"I once landed four tonnes of capacitators and sold them by the half kilo".

Any redundant stock is bundled into "junk packs" which have a 100 per cent sales. That idea arose after sorting through sawdust sweepings and uncovering enough "junk" to start a small business.

New Zealand ingenuity has produced several firsts in the software field and two more are about to be brought on to the market by Kit Parts.

Working in co-operation with a Wellington microelectronics expert, Kit Parts has designed a personal computer and a musical effects device, each made from kitsets.

Both projects have been sold to the Australian magazine *Electronics Today International* as construction articles.

The musical effects device, thought to be the first of its kind in the world, produces echo, phasing, vibrator and choral effects using software for the processing effect.

The personal computer has several novel features including its "tiny basic" program — the smallest in the world. Coyle expects to sell thousands at the novel price of $200.

The cheapest home computer available here cost between $1300 and $1800.

A previous "first" from Kit Parts was a radio hi-fi tuner developed six years ago. The company has sold 1800 units overseas.

On the lighter side, Coyle developed a beer-operated radio. "Seeing beer made us work so well, we'd see if it could work a radio".

He plugged a volmeter into a glass of beer and, to his surprise, got a reading. The gimmick radio which ran off .7 of a volt received publicity around the world, and 1000 were sold. "When the beer gets flat you drink it."

Kit Parts' mail order customers, who range from "priests to police, students to doctors", are circulated with a brochure every month. "Electronic types are generally stable customers", says Coyle, whose best advertising has been the snowballing effect of "word-of-mouth" over the years.

Coyle lauds the mail-order business. "It cuts out everyone's mark up, and gets the final product to the end-user at a low price."

He says he is impressed with the Post Office, and hardly ever loses anything.

"The mistake many mail-order operators make is they consider New Zealand an island, whereas it is very closely linked by mail to Australia where the market is 8 to 10 times the size," he says.

Kit Parts has opened a mail-order outlet in a Brisbane suburb, chosen for its post code: 4567. Marketing capital will not have to be increased, and the mailing list has already been evolved from the New Zealand base.

Born and bred in Wanganui, Coyle originally came to Wellington to work in the Post Office's radio section. After two years with Philips Industries in Naenae he returned to Wanganui, borrowed £200 and set up an electronics factory.

Coyle Electronics Ltd manufactured guitar amplifiers and, in its heyday, employed a staff of 23.

Manufacturing in the rapidly changing world of electronics proved to be a "hassle". "We had continual delivery and sourcing problems."

So Coyle started to "fiddle" with mail orders and moved the operation to Wellington 10 years ago to provide retail support.

He now has all his eggs in the mail-order basket. He sold up the final aspects of the electronics factory four years ago and moved to Wellington.

He landed safely.

Coyle, who used to fly down to the now closed Christchurch branch in his Piper Cherokee, finds hang gliding "a bit too mundane for me", and there's "no excitement" in gliding.

But his head is by no means permanently in the clouds. His main interest is in the futures market as related to predicting the computer future.

"I get into a project and try to do it better than anyone else", says Coyle, whose own success with the instrumental guitar led to 20 discs, made here and in Australia.

He helped start the New Zealand Country Music Association and has been president off and on for the last five years.

On the microelectronics industry in New Zealand: "The 40 per cent sales tax on imported software and hardware is stifling development. New Zealand has the opportunity to become one of the major leaders in microelectronics as Japan did in the last decade. What it needs is a bit more encouragement from government as it has in Britain, and more finance into high technology research.

"I often wonder if the importance of microelectronics has been recognised by government and industry," he said.

He is verbal science fiction as he explains the communication of the future.

Wrist-watch-size units with a voice stress chip will allow us to communicate, via satellite with anybody on the earths surface.

"Ten years from now, you'll remember this conversation and see it all happened, he foresees.

O'Brien on business

Oil alludes portion of blame for economic ills

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts..

THE effect of rising oil imports on New Zealand's economic performance in recent years depends on the statistics used to "prove" the case.

In 1974 we imported $169.8 million worth of "Mineral Fuels, Lubricants, and Related Materials" (Department of Statistics classification). Total imports cost $2,036.7 million in the 1974 June year, so the "fuels etc" component was 8.3 per cent.

Table I shows the relationship between the fuels classification and total imports by value for the period 1975 to 1979 and the percentage of import value taken up in fuels. The dollar values are in millions and are taken from the *Abstract of Statistics.*

In the first three months of the 1980 June year oil imports were $171.4 million of total imports worth $1,146 million, or 14.9 per cent, but the winter period can distort the relationship between the figures.

The movements and relationships in Table I could be used to "prove" anything. The effect of fuel prices on other imports and on freight (which shows up in "invisible" – non-trade transactions) are further complicating factors.

It is clear that the heaviest impact from the increase in oil prices occurred between 1974 and 1975. Subject to modes variations, oil imports have remained close to the same proportion of total imports since 1976.

Other statistics, based on export revenue, tackle the question from another angle.

Table II gives oil imports, total export value, and the percentage of export revenue consumed in the fuel classification for the June years 1974 to 1979. Dollar figures are in millions.

In the three months to September, 1979 the $171.4 million worth of oil imports was the equivalent of 16.5 per cent of total export income, but that period was a low quarter for exports.

A modest recovery in world trade between 1976 and 1979 accounts for the increases in export income over that time, but the figures are inconclusive for the purposes of laying "blame" for the *state of the* economy.

It could be argued, for example, that a trade balance in our favour in 1978 and 1979 became a balance of payments deficit as the result of "invisible" transactions moving even more strongly against.

The counter argument is that we always have an invisible deficit, and that the rising cost of oil compounded the problem. The argument is weakened by the fact that invisible payments rose faster than the cost of fuels and so on in 1978 and 1979.

Many other tables could be prepared, using import costs of various goods with a fuel content, to "prove" either side of the argument.

If any realistic conclu[sions] can be drawn from the var[ious] figures, it seems to be th[at oil] costs are part of our proble[m] but not the whole.

Internal consumption [pat]terns, allied to monetary p[olicy], taxation measures, [em]ployment, speed or del[ay in] taking development deci[sions], immigration flows, [lo]cally generated inflation wh[ich] through wage incre[ases] and/or cost plus pricing [sys]tems, are all interlin[ked] matters which caused [the] present state of the econ[omy].

It is sensible to co[nsider] these elements when lis[tening] to, or reading, the pro[nounce]ments of politicians [on the] subject, irrespective o[f the] parties they represent.

Politicians (and bure[aucra]tic advisers who may [have] given the wrong, or [no] advice) have a greater v[ested] interest than the rest of [us in] selecting various stat[istical] relationships to suppor[t a] particular case of the mo[ment].

Table I							
June	Fuels	$M Increase	Per cent Increase	Total Imports	$M Increase	Per cent Increase	Fuels etc as Per cent of Total Imports
1975	317.7	147.9	87.1	2,763.1	726.7	35.6	11.5
1976	396.6	78.9	24.8	2,961.6	198.5	7.2	13.4
1977	469.0	72.4	18.2	3,538.0	576.4	19.5	13.3
1978	466.3	(-2.7)	(0.57)	3,276.7	(-251.3)	(-7.1)	14.2
1979	506.9	40.6	8.7	3,826.9	550.2	16.8	13.2

Table II			
June Year	Fuel Imports $M	Export Income $M	Fuels as Per cent of Export Income
1974	169.8	1,787.3	9.5
1975	317.7	1,621.6	19.6
1976	396.6	2,386.8	16.6
1977	469.0	3,288.7	14.5
1978	466.3	3,313.5	14.1
1979	506.9	4,068.6	12.4

O'Brien on business

Analysing annual accounts: Borthwicks

THE annual report of Thos Borthwick & Sons Ltd may not be the best example of United Kingdom company reporting, but it makes the efforts of most New Zealand companies, and the provisions of our law, laughable.

Borthwicks has 38.6 per cent of its funds employed in New Zealand, so the report can be compared reasonably with those of New Zealand based meat companies.

They have been able to shelter under the exemptions from tax disclosure allowed in the regulatory order applicable to their affairs for too long.

(In fairness, it should be noted that some local meat companies are voluntarily disclosing the appropriate information, which others claim gives an unfair advantage to competitors, particularly those owned overseas. It is hard to see where the advantage lies, when overseas companies are required under their law to set out the figures).

Borthwicks gives shareholders a breakdown of turnover by main operating activities, which can be compared with the common (and legal) New Zealand practice of keeping sales figures in the heads of the directors and executives.

The company makes an interesting observation on the subject of inflation accounting:

"With all the general talk on the meaning or lack of meaning in company accounts, it is pertinent to mention that we have not prepared current cost accounts for inflation accounting. However, it is our intention to ensure that all our fixed assets are regularly revalued so that the accounts truthfully reflect the state of affairs in this regard. Our view is that this goes a long way to answer the current general criticism and is a considerable safeguard against management being misled or deceived by monthly management accounts, and shareholders by audited year-end accounts".

That comment can be related to the disclosure information in the Directors' report under "Fixed Assets":

"The Directors consider that there is no significant difference between the book value of land buildings and the market value".

Compare that with the common New Zealand practice of showing ancient values in the accounts, unless the directors decide to revalue to some proportion of the latest government valuation (which may or may not relate to market value) to create a capital reserve for distribution as a bonus.

The report includes a statement of "significant shareholdings" (above 5 per cent, as far as the directors knew), export value from the United Kingdom, and the number of persons employed in the United Kingdom and their aggregate remuneration.

We find out who was paid what, provided the remuneration is above £10,000 for UK employees. The accounts include the payments made to directors, on a sliding scale.

That information would be interesting in New Zealand company accounts, although it has little bearing on the *overall operation of the business.*

The chairman of Borthwicks received £53,000, $NZ116,070 at the $2.19 rate of exchange ruling on balance date.

One director is listed between £0 and £2,500; two between £5,001 and £7,500; 1 in the range £7,500 and £10,000; 1 between £17,501 and £20,000; 1 between £25,001 and £27,500; 1 between £30,001 and £32,500 and 1 between £37,501 and £40,000. The figures include directors fees and "other emoluments", the latter including salary. Several board members are also executives.

The company explains changes in working capital adequately, particularly for stocks. Some breakdown of stocks valued at 65,045 million pounds would be useful, apart from the comment "principally meat and by-products of which £19,929,000 *is commited by firm sales*".

Stock accounted for 34 per cent of total assets at balance date, compared with 28 per cent in 1978.

A United Kingdom company with substantial interests in New Zealand is at the mercy of the exchange rate when accounting for overseas investments. Borthwicks' "principal investment" is the 22.9 per cent of equity capital and reserves in the Canterbury Frozen Meat Company Ltd.

The share of capital and reserves was valued at $NZ32.817 million at balance date, and was converted to £14.985 million on the basis of $2.19 to £1.

Last week the exchange rate was in the region of $NZ2.30 to £1, so the "current value" of the investment is down to £14.268 million, a drop of £717,000 or 4.8 per cent.

The problems of meat *companies are seen in the* profit and loss account, although the figures take no account of whether or not Borthwicks could improve efficiency, and thus its returns.

The company earned £4,563,000, including minority interests and extraordinary items, on turnover of £573,756,000, for a magnificent return of 0.79 per cent.

The return on net tangible assets, after deducting goodwill from shareholders funds, was 11.41 per cent, compared with 13.68 per cent in the previous year, and the dividend was covered only 1.36 times, as against 1.7 in 1978.

Those are hardly the figures to set investors alight, a point noted on the London Stock Exchange.

Note:
In last week's column it was stated that wet, blue, hide leather was in Bond "G" of the new export incentives. The product was changed to Bond "F" two weeks ago.

Lions roar wanes as market inflates

THE sharemarket continued to ease last week following firming interest rates, tighter liquidity (and warnings of more to come) and general economic uncertainty.

The market reacts to all news affecting the economic outlook. Last week it had to contend with another rise in inflation, as expressed in the latest movement in the all foods group of the Consumers Price Index.

The interest rate factor was underlined with a 15 per cent rate from Lion Breweries for its 3,5,7, and 10 year debenture stock. Those rates may have created a situation where a broking firm's left hand does not know what the right hand is doing.

Wellington brokers, Francis Allison Symes and Co is underwriting the debenture issue with New Zealand United Corporation. On Friday, February 8, Lion announced the terms of the issue, which must have been under discussion for some time.

Francis Allison Symes sent out its *Client Bulletin* for February 1980, at about the same time. The *Bulletin* has a table of *Indicative New Issue Rates for Selected Fixed Interest Securities and Deposits.* Under Industrial Company Debentures, the entries read: "3 years, 14.25 per cent; 5 years, 14.5 per cent; 10 years, 14.5 per cent.

An "Indicative New Issue Rate" could mean anything, but the Lion issue seems to put those rates at 15 per cent, by definition.

The point may be covered by a comment in the text which says (basically in reference to the secondary market): "For the rest of the year we see little likelihood of these rates increasing, but as liquidity looks unlikely to ease, rates will probably hold around their present levels".

The present level for secondary market company debentures is given as "to around 15 per cent", although the firm says the maturities available on the secondary market have been fairly short, "anything beyond 2 years is uncommon".

The firm would have done a tidier job if it delayed the *Bulletin* until after the announcement of the brewery's rates, even when it is accepted that the offer is a cash and conversion offer to existing shareholders and debenture holders.

Various brokers' letters, including that from FAS, are recommending insurance company shares, and the market has responded.

Insurance companies are struggling with unsatisfactory returns from their underwriting activities. Improved returns on fixed interest investment resulting from the general rise in interest rates, and higher dividends and/or bonuses received from equities, offset that problem.

Companies with sizeable offshore business should also benefit in the current term from the formal, and ongoing, devaluation of the New Zealand dollar against major currencies.

When the companies balance this year the dollar will probably show an overall devaluation (including the 5 per cent on budget night, 1979) of about 10 to 12 per cent.

Last week I mentioned the extraordinary resilience of Forest Products' share price in the present industrial climate at Kinleith.

The price eased a little in the general market downturn, but it is still relatively strong for a company which is losing considerable production.

The trouble apparently has had little effect on ability to fill orders so far. A reasonably early settlement would still leave the group in good shape. The market is *obviously* taking a longer term view of the company's earning capability, but the share needs constant monitoring if the strike drags on for much longer.

Continued next page

O'Brien on business

What chance has one small shareholder?

A READER wants *NBR* to answer four questions for him. Two are discussed here. My respected colleague, the Economics Correspondent, will deal with the other two next week.

The reader writes:

"I don't understand company reports which seem to be written with the object of confusing the facts while complying with the required rules. In 1973 I attended the South British and the Leyland Investments company meetings. I did not enjoy them.

"I was unable to contribute to the meetings in a positive way. I cannot see what I can do about the companies I have shares in. The anti-apartheid shareholders do not seem to have achieved anything at the South British meetings, so what chance has one small shareholder?"

I resist the temptation to say that a shareholder in Leyland Investments probably deserves a lack of enjoyment. The company has had a dull record for years. Last year's earning rate of 18.33 per cent (9.16 cents per 50 cents share) was the best return of the decade.

The company's directorate resisted two attempts in the last 10 years, one publicised and the other made through personal discussion by the interested party, to takeover the investment operation.

Nothing has happend in that company, and nothing is likely to happen.

What can be done about company reports and the apparent ineffectiveness of the small shareholder?

The answer in both cases is constant constructive criticism. Company chairmen have two methods of handling this criticism when it is first raised. They neither turn the attack on the questioner, or waffle on with statements which say nothing and are intended to appease the meeting.

The late chairman of Lion Breweries, M O Barnett, was a master of both techniques. Some years ago he carried on a battle with a shareholder who had the impertinence to seek election to the board each year.

The shareholder never won. He put up with extraordinary rudeness and contempt from the chairman, including the comment at a meeting in Wellington that he (the candidate) could address the meeting if people wanted him to, but that it didn't really matter because the chairman had several million proxies in his pocket and there was no show of the candidate being elected.

The shareholder later received normal, courteous treatment from the then chairman, Sir Clifford Plimmer. He still lost, but the change in attitude may have eased his determination to be a thorn, because that was his last attempt.

The activities of the AMP policyholders is another example of what can be done.

The Society resisted the group's proposals strongly, but graudally changed its stance, although winning the formal battles. Several of the group's proposals are now part of the Society's normal policy.

Company directors in New Zealand were a cosy, matey group. They assumed that by virtue of their position they were all-wise custodians of corporate wealth.

They have resisted criticism. But exposure to constant constructive criticism, with its attendant publicity (a financial reporter loves covering a dull meeting which suddenly turns into a battle between underdog shareholder and powerful board) can eventually bring about change.

Directors today have moved substantially from the position of the early 70's, for two main reasons

We are in an age, for good or ill, when people refuse to keep quiet just becaue they are dealing with a big shot. The divine right of chairmen is disappearing

Second, the effects of serious company crashes have made many directors realise that they have specific responsibilites for company affairs, apart from turning up for a monthly meeting with a few gins to follow.

The problem of company reports can be solved only by regular shareholder questioning, and a less timid financial press, which is prepared to expose the gobbledegook which passes for "explanation" of the company's year, and to attack the lack of financial information.

The law allows the directors to get away with this, but shareholders and the press should refuse to accept it.

There are slow changes Our reader can compare annual reports of 1979 with those of 1969 to observe the movement. It is still slow, but at least there is some movement.

The second question asks how company chairmen anticipate changing the taxation system to avoid double taxation of dividends without shifting the burden of taxation on to some one else.

No company chairman offers an alternative, a point which follows the New Zealand view that "something should be done", without saying what.

One answer is to remove or substantially reduce, company taxation; use part of the saving to raise incomes, [illegible] for reinvestment in development and efficiency, and [illegible] move the tax structure to [illegible] direct taxes.

Income tax on company profits is more a political device than a logical fiscal measure. Removal of the liability would also get rid of the tortuous system of incentives, allowances, and so [illegible] which has produced a [illegible] hazard and unequitable [illegible] system.

Indirect taxes have a [illegible] virtue, provided they [illegible] struck in such a way [illegible] private individuals income [illegible] the hand" is not substantially eroded by heavy taxes on [illegible] items.

They make the payment [illegible] tax a choice in the hands [illegible] consumer, who decides whether or not to buy goods or services. There [illegible] choice in income taxes [illegible] was the basic argument against the proposed "[illegible] regulator".

Allied sets pastoral pace

Continued from Page 15

Newspapers and stock and station companies are two sectors to watch.

The newspaper companies turned in excellent first half figures, and seem to be continuing the trend into the second six months, judging by the advertising content of their major publications.

Costs are rising, but the last wage round was settled with little difficulty, and some price adjustments, plus sustained advertising revenue, should result in solid increases in profitability for the full year.

Allied Farmers set the pastoral compacy pace for first half results. We now wait for Challenge and Dalgety.

Challenge has been selling off relatively poor investments, which in itself sh[illegible] improve profitability a little.

Most of the money releas[illegible] will probably be put to [illegible] investments, in the form [illegible] Tasman and the methn[illegible] consortium, assuming the [illegible] trocorp proposal fails to [illegible] the official nod.

But, if you are listening [illegible] there, Ron Trotter, how about telling your shareholders what you got for selling the H[illegible] wrights investment, one [illegible] your operations in the UK [illegible] part of Wrightcars?

Everyone would like [illegible] know. The information might allow a fully informed market in your company's shares [illegible] matter which I know (because you often feel aggrieved at [illegible] market's rating) is close [illegible] your heart.

Regional development

Forest trade puts sleepy port in the breech

by Colin James

BATTLE lines are being drawn in the far north over the future of the sleepy port of Opua in the Bay of Islands.

At the heart of it is: how regional should regional development be?

Through which port or ports Northland's potentially huge forestry exports should be exported is at the centre of the issue.

A report — prepared by a working party of officials from the Northland Harbour Board and other local and national interests — is due to be published on February 19.

It is believed to strongly favour the development of the oil port at Marsden Point on the southern side of Whangarei harbour and to reject any role for Opua. Another example of Whangarei grabbing all the goodies, say the people of the "mid-north" the Bay of Islands and Hokianga.

Not so, say the southerners. The criterion – what is best for Northland as a whole?

But, say the mid-northers, the far north has special needs. Its roads are appalling, its telephones archaic, its unemployment rate higher and its average income lower than bustling Whangarei. They accuse Whangarei interests of deliberately neglecting Opua as a commercial port and leaving it to the rich from Auckland who tie up their yachts there.

They cite as evidence failure of the board to maintain the Opua wharf in the state it was in the late 1960s, as the legislation merging the northern harbour boards at that time required it to do.

The decay of the wharf led to a campaign a few years ago by an Opua port promotion group to force the board to repair it. The board did, at a cost of $300,000 to the annoyance of board chairman Jim Carney, who was overseas at the time.

The new concrete decking was reopened in October. A glossy brochure issued at the time depicts a freighter tied up and bustling activity.

But since then not a kilogram of produce has passed across it — a stark contrast with the 20,000 tonnages that Opua handled in the mid-1970s before it was declared unusable by railways.

To make matters worse, two non-containerised shipments of meat and milk powder from works at Moerewa, 15 to 20 kilometres away, have gone through Whangarei.

And worse — the milk powder had been stored in a relatively new shed on Opua wharf. It cost a little under $10 a tonne more to ship it through Whangarei than it would have through Opua — $10 that comes out of the farmers' payout from the Moerewa factory.

Not our fault, says the harbour board. The Meat and Dairy Boards decide where their products go. And in any case the Conference Lines have taken Opua off their list of ports of call.

In the meantime the 35 men on the Opua waterfront register are frequently ferried at considerable expense to supplement labour on wharfs in Whangarei and Auckland. There are fears that, if there is no work, the register will be closed and the jobs lost.

The real issue is forestry. Companies are buying and leasing land fast. It was estimated that the present 50,000 hectares of land planted in commercial forest will have grown to 200,000 by the end of the century. That would make Northland one of the biggest sources of exportable wood — and bring big business to the harbour board.

Mid-northers want that business to go Opua's way, and are backed by Northern Pulp, which has forests in the area and plans a pulp mill. They argue that the bulk of the plantings are in Opua's catchment area and that forestry in the far north would become uneconomic if Marsden Point is favoured.

Northland is not a compact block with a natural centre. It is long and thin. The huge Aupouri Forest Service stand that flanks Ninety-mile Beach is more than 300 kilometres from Whangarei.

Pro-Opua-ers argue that most of the trees in the south of Northland will not be exported, but will go to Auckland for domestic use.

Those for Marsden Point argue economics. The report is believed to find that it will cost $30 million more to develop Opua than Marsden Point, even including $15 to $20 million for a new rail link — a facility Opua already has. They point also to likely battles with environmentalists opposed to large-scale development of a port in a tourist harbour.

Pro-Opua-ers say development need not be environmentally disruptive, since there has already been substantial reclamation. They claim not enough attention has been paid to internal transport costs. The study assumed fuel costs as at January, last year, and there have been big rises since.

Carney, who is chairman of the steering committee which oversaw the study, says this is less important than was first suspected. Jo Brosnahan, harbour board planning officer who chaired the working party, says that in any case possible changes in fuel prices were examined and made no difference to the final recommendation.

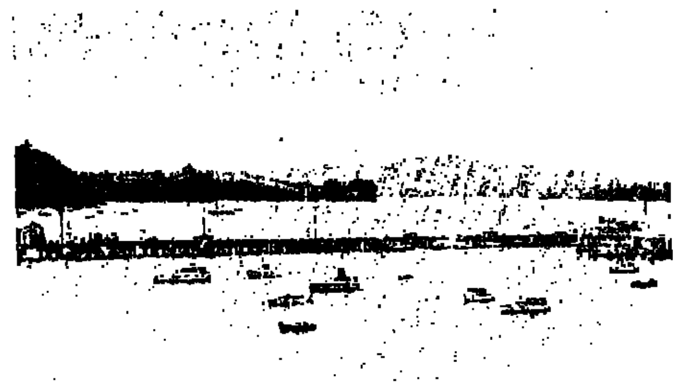
Though the board chaired both the steering committee and the working party, prompting criticisms from the pro-Opua-ers that it is a jack up, Carney insists they were independent.

The Forestry Service, the Ministry of Works and Development, the Railways Department, the Regional Planning Authority, the Counties Association and the Regional Development Council were all represented.

Carney maintains their approach was impartial. Their study covered economics, environmental impact and social impact. At the moment the pro-Opua-ers are in the minority. Not even all the board members from north of Whangarei favour Opua.

But they have an ally in Ralph Trimmer, former chairman. Trimmer says no one port — not even Marsden Point, whose cause he has long championed — will be able to handle all the forestry exports. He cites congestion at Mt Maunganui in support.

Trimmer wants three ports: Marsden Point, Opua and on the north side of Whangaroa Harbour further north, and an internal forestry roading system to feed them.



Opua . . . quiet port in a storm

After the report, there will be a cost-benefit study. The issue is unlikely to be resolved before board elections in October.

In the far north those elections are likely to be fought on the issue of port development north of Whangarei. It promises to be a lively battle and if the pro-northers win and Trimmer joins them, the anti-Whangarei lobby will have the majority.

Regional development means different things to different people. Trimmer puts it thus: "The worst thing that could happen to Northland would be for Whangarei to become a metropolis on which Northland becomes more dependent "

Lets get television advertising into focus.

We learned a lot of valuable lessons from running two television channels over the past five years.

Now, with the development of Television New Zealand, we're able to put them into effect and offer a service unique, anywhere in the world.

Better for the viewer. Better for the advertiser.

With the introduction of complementary programming, viewers have an unobstructed choice of programmes, and advertisers a far more advantageous selection of schedules.

We, Television New Zealand, will endeavour to match viewer to programme, and eliminate the clashes brought about by conflicting policies, which will allow all programmes a far greater chance of achieving their true rating potential.

The principle has already been firmly established; general comedy and crime shows positioned against more specialised appeal programmes, such as current affairs.

The consumer will have a clearly defined choice.

No comedy against comedy, documentary against documentary, film against film.

While it's our hope audience share will equalise between both Two and One, it is not our intention to divide the audience in half at any one time. We're expecting viewers will find appealing programmes, at different times, in approximately equal proportion, on both.

So, in ratings terms, there should be a flow of audience throughout any given evening, from one channel to the other.

Our plans are specifically designed to match programme type to viewer type, irrespective of channel. Advertisers will, therefore, find it easier to pin-point target markets, and be confident of reaching them in the correct environment.

Flexible rate structure gives you the opportunity to get exactly what you pay for.

With the implementation of the multi-line rate card, and computer booking facilities, pioneered by South Pacific Television, advertisers and their agencies will have a variety of choices. The basis of the rate structure being that the placement and the type of programme screened will appeal to certain target audiences.

So naturally, the highest rates have been struck for programme types with wide general appeal, placed at times when the bulk of the audience is available, and which in the past have proven to be consistently high performers.

Lower rates apply to those appearing on Two, with its urban emphasis and marginally lower rural coverage, and programmes with more specific and specialised appeal on either channel.

Rates on Two are structured substantially below One's, as an interim measure, until full national coverage is achieved.

So, advertisers of products with wide appeal to broad market segments will be able to purchase time in strong-rating general appeal programmes or zones on either channel, for a realistic expenditure. For those with tighter target segments, the new structure allows specific targeting and consequent value for money.

For those looking at more specialised target markets like teenagers, major business decision-makers, higher socio-economic groups, etc., the combination of programming and the rate card format provides an opportunity for more cost efficient and effective impacts, than has previously been possible.

Regional Television is better value than ever.

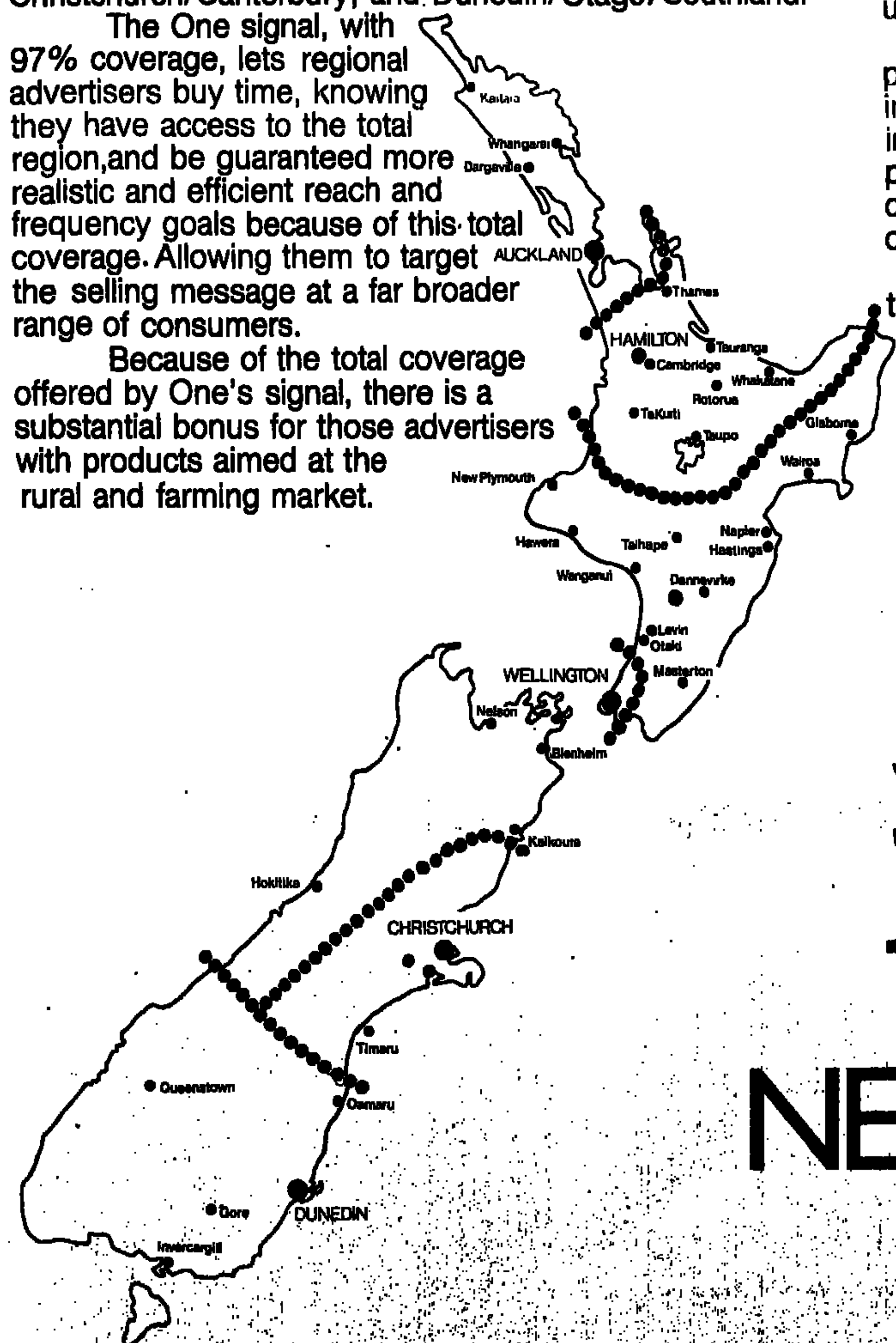
In the revised structure, One takes over the regional services that were offered by South Pacific Television, while Two will provide network only coverage.

Advertisers will be able to purchase time in any or all of the following six regions on One:

Auckland/Northland; Hamilton/Bay of Plenty/King Country; Taranaki/Manawatu/Wairarapa/Poverty Bay/Hawkes Bay; Wellington/Marlborough/Nelson; Christchurch/Canterbury; and Dunedin/Otago/Southland.

The One signal, with 97% coverage, lets regional advertisers buy time, knowing they have access to the total region, and be guaranteed more realistic and efficient reach and frequency goals because of this total coverage. Allowing them to target the selling message at a far broader range of consumers.

Because of the total coverage offered by One's signal, there is a substantial bonus for those advertisers with products aimed at the rural and farming market.



Weekly national research means you know exactly what's happening.

We're offering consistent, in-depth, audience research to advertisers and agencies.

Each week, abbreviated national research reports, designed to give an early indication of significant changes, primarily through programme ratings, will be produced. These reports will cover several of the more commonly used demographic breakouts.

Results will be available in the week following the completion of the rating period.

In addition, detailed network reports, based on the six regions, will be supplied monthly. Reports covering main cities only will also be available monthly and quarterly.

The depth and consistency of this research service is unique. No other medium matches it.

Advertisers and agencies will be able to pin-point those programmes and/or time zones with specific appeal to selected target groups.

It allows buyers the opportunity to purchase cost efficiently and effectively.

Additional marketing services.

Television New Zealand will establish a Marketing Services Division.

It will benefit both advertisers and agencies through consultation and information exchange and up-dates.

Executives of this Division will be available for presentations on new research findings, both local and international, the perception of television "The Medium" in the market, its psychological implications, its performance in specific target groups and product categories, and they'll offer advice on innovative ways of utilising the medium to the fullest.

The Division will become operational later this year.

The new Television New Zealand.

We've come a long way and learned a lot of valuable lessons.

And now we offer a service we think is unequalled anywhere in the world.

We hope we've made that clear.

TELEVISION NEW ZEALAND

Admark

Advertisers grit teeth and skill to face decade

by Grev Wiggs

THIS will be a tough year for advertising agencies who will experience considerable pressures on financial operations. 1980 can be rewarding for those who exercise marketing and advertising skills and who can adapt to the changing situation.

This prognosis is distilled from the observations of agency principals who were interviewed by *Admark*.

No one foresees a bad year despite ominous economic signs. In the absence of market growth, the fight for maintenance and increase of brand share among advertisers may still ensure a healthy advertising volume.

Illott's chairman, Pat Smith, presented a sobering viewpoint. "The last three years have seen steady growth in agency turnover although this has been due in large part to inflation of media costs. This year - though we don't anticipate any disaster -- growth will reach a plateau in real terms.

"We should see figures increase in accordance with inflation but not much more. This means that the inexorable rise in our overheads is going to make it difficult for agencies.

"Because of the high percentage of billings in electronic media and the payment situation involved, there will be terrific pressure on agency funding.

"Agencies in turn will need to exert pressure on clients who are a little slow in coming to the mark."

Colenso's Hylton Mackley also saw costs as a problem. "If inflation is as predicted," he said, "there will be a few cracks appearing in the industry. On the other hand, it should be a reasonably good year from the advertising point of view, though at this stage a possible shortfall in certain media space and time availabilities may present some difficulties.

"It will be an aggressive year in the marketplace because only aggressive marketers will win the day. Stationary production and consumption levels mean a big battle for market share.

"Those who are in the business of trading up their products with better marketing, presentation and promotion should prove to be better off. It's going to be hard work for all but optimistically, I think there will be a good reward for those who try."

"A tough year for the economy," predicts Dave Murphy, Lintas: SSC&B managing director, "but one which will prove the value of strategic marketing. Companies which have got their positioning right will fare best."

Murphy feels bullish about his own company's prospects, reporting healthy budgets and growth from most of its clients.

Also happy to report a good start to the year was Jim Belich, Inglis Wright's chief executive. "While economic signs appear to be negative, JIW will have a good year and will work to make it so. We have moved our plan into action by recording the best January in our history.

"Economic restraints are simply additional challenges which good marketers and good agencies have to confront and overcome," said Belich.

"If we adjust to world and New Zealand realities, this could be the beginning of the most exciting decade in our history.

"Problems such as inflation and balance of payments are here and real and won't go away. We have to adjust our present and future strategies accordingly."

Fred Dobbs, chairman of Dobbs-Wiggins McCann-Erickson, is another who calls for a more responsive attitude by the industry. He believes the industry must think beyond the function of advertising.

"There are changes going on out there which will call for a variety of responses. For instance, fuel costs will have a considerable impact on our clients, affecting distribution, warehousing patterns and retailer servicing.

"Extended shopping hours for retailers are inevitable under the pressure of consumer attitudes. Extended shopping hours could mean a change in product ranges and in media advertising timing.

"New advertisers, brought about by changing conditions, by mergers, by the rise of new product categories, have to be nurtured and developed.

"The most fruitful business growth is, and always will be, that generated by greater involvement with our existing clients."

Ray Dalton is managing director of Charles Haines. He sees 1980 as a year similar to last.

"*All our national problems* still exist and until our gas and other resources are fully utilised, it is hard to see any real progress. But the energy crisis is also bringing new opportunities to the industry.

"Life styles are changing. New products are appearing and old products are being modified. This means new market opportunities. We need to be flexible and take advantage of the changes that will take place.

"Our main problem is to keep our costs within sensible limits. We just have to make sure that we get value for money."

These agency heads are singularly of one mind. Neither over-sanguine nor pessimistic about the future, theirs is a realistic view. No wonder - they've been through it all before.

Mat markets Maoris

Mat Rata ... considers 'boycott'

by Grev Wiggs

MAT Rata has complained that few Maori faces appear in television advertising. He is quite right. Though one wonders why he has taken so long to make this observation.

On more than one occasion we have commented in these columns on the paleface society reflected in television advertising.

We observed in November 1975: "The sins that advertising is charged with bear many labels. Let's hope racism doesn't become one of them."

Too late. It has.

Meanwhile Mat Rata is considering urging some form of shopping boycott of companies which fail to use Maoris in advertising — a course of action which is just plain silly.

Equally silly is the argument put forward by some companies and advertising agencies that few Maoris are listed in model agency talent sheets.

The use of Maori talent in TV commercials is not an ethnic-socio-political matter. It is a decision to be made on the basis of marketing facts.

We rest our case on an extract from our last article on the subject (*Admark*, August 9, 1978.)

"Apart from perpetuating the myth of the invisible Maori, advertising agencies could face the charge of failing to give their clients a few home truths.

"Such as, the almost complete ban on showing Maori people in commercials may be interpreted as a snobbish image-protecting ploy and a racial sneer at worst.

"Such as, a marketing man of acumen does not ignore 9 per cent of the market. Such as, if marketers did their homework, they would find the Maori heavy users of certain products and hence an important market segment."

BP framing TV tennis

SPORTS sponsorship, with its golden lure of unpaid brand exposure on television, is increasingly becoming the frame in which the sporting picture is being presented.

And increasingly there is scope for questioning whether sponsors are thinking clearly about the responsibilities as well as the rewards that go with their role.

We criticised Air New Zealand and Shell previously (*Admark*, December 17, 1979) for shortcomings in their sponsorship of the golf open which bore their names.

Now we commit BP to the sponsors' sin bin for its handling of the New Zealand tennis championships.

It was not enough, in our opinion, to post BP logos around the courts and equip the ball-boys with BP T-shirts.

When a sponsor adds its name to a national sporting event, it becomes, in effect, the sponsor's product. And although the conduct of the event is still in the hands of the national body, surely the sponsor has enough clout to require a smooth, efficient presentation.

The sponsor's "product" should have at least mentioned in the programme if only to background the overseas players competing. There were few in evidence the day we attended.

As the players' names appeared alongside the court numbers on the fixture board, it was more important to have the courts clearly numbered than be-logoed. They were not.

Matches were not announced and it was necessary for the paying customer to leave his seat and inspect drawsheets to discover which round was being played.

On the back courts, barely visible from the stands, ... players were having a ... up, a spectacle which would have Wimbledon ... sulted in a number of cases of apoplexy.

As a product presentation it was a sloppy exercise.

On the other hand, the Davis Cup tie as presented on TV and with the same sponsor could hardly be faulted. ... why two different standards of presentation?

Insurance

'Contractsurance' cushions risks

by John Sloan

CONTRACTORS are the latest group to have a special insurance scheme designed for them. The South British Insurance Group has just implemented "Contractsurance" which was designed in conjunction with insurance brokers Bain Dawes New Zealand Ltd, for the New Zealand Contractors' Federation Incorporated.

Contractors have always been exposed to hazardous and diverse risks for which standard policies had to be adapted. The trouble was that some risks faced by contractors were so hazardous that many insurers would not insure them. But to be fair to insurers and brokers, many contractors in an endeavour to save premiums, chose restricted insurance coverage.

"Contractsurance" was specially designed to give the widest possible cover to contractors who are engaged in rugged risks. This is achieved by a package policy which covers:

- Trade assets, such as mobile plant and equipment, machinery, motor vehicles, tools and other equipment are insured against accidental physical loss or damage anywhere in New Zealand including whilst in transit and on contract sites.

- Public liability is a major exposure for contractors and the widest cover available has been devised. This covers their liability for property damage arising out of their activities anywhere in New Zealand and has been extended to cover some of the hazardous risks, such as excavations, and overcomes many of the loopholes which exist in standard policies.

- Personal Accident and illness is available for either self employed contractors or their employees.

- Contract Works Insurance, can also be incorporated in the package, where necessary.

All in all "contractsurance" is a much wider package of protection than is normally available from "off the hook" policies offered by insurers. The premiums are competitive, partly due to the contractor paying the first amount of any claim.

How's the scheme going? Reactions vary; one Wellington insurance broker said "The scheme is beginning to hurt. We're having to remarket our contractors risks in order to match the cover and meet the premium". The manager of one major insurance company said that they had never heard of "contractsurance" and did not know anything about the coverage. But he thought that the contractors could use the scheme to leverage similar cover and premium from their existing insurers.

South British Wellington branch manager, Bob Scott, said that the "contractsurance" scheme was "being enthusiastically supported by the New Zealand Contractors Federation and the initial response has been very encouraging". Scott added, "although a package policy is offered it's flexible enough to be tailored for each contractor".

More mergers expected after CU-NM link

The New Zealand merger between National Mutual Life Association and the Commercial Union Group is expected to be consumated as soon as the Reserve Bank's approval is granted.

Once this approval is granted expect some rapid action in the insurance scene because the National Mutual — Commercial Union merger is going to be a far greater force in the insurance field *than was originally anticipated.*

And watch for other mergers because there are rumours in the air. There could be some truth to these rumours. One or two insurance companies are finding it pretty tough going at the moment. One company is further "rationalising" its Auckland operations and has reduced its staff and services in that area.

Some insurance mergers are created by other mergers. Broadlands held a significant share holding in Capital Life Assurance Company Ltd. Since Challenge Corporation has taken over Broadlands it will be interesting to see if the share holding in Capital Life is retained because, if it is, expect a new impetus to Capital Life's operations in New Zealand.

On mergers: one Wellington insurance broker said "you've got to either go very big or remain very small" This succinct comment applies to just about all New Zealand businesses.

One possible insurance merger headlined last year — the State Insurance Office and Government Life Insurance Office — has died a natural death.

The findings of the government committee set up to report on the merger announced by the minister in charge, Derek Quigley, last week stated that the efficency and effectiveness of both offices would be compromised if they were merged.

The disadvantages outweighed the advantages of such a merger, Quigley said.

Benevolent agent shares his light

A LITANY on how to be a self starter: *Light your own fires to bigger sales* by Auckland life insurance agent Charles Donohue is selling like "wildfire".

Donohue's book was recently published in America and the New Zealand response has been so great that a local re-print is underway.

Donohue, a member of the Million Dollar Round Table Club, writes an average of three million dollars a year in life assurance business. When asked "why spill your business secrets?" *Donohue responds.* "We must share ideas, its the only way I have learnt, and anyway I like helping others".

The book is a combination of salesmanship and motivation covering aspects such as steps to success; sales power; master secrets and time control.

It contains basic sales tips labelled "motivational phrases to help light your own fire", and dispenses such gems as: "Remove all negative thoughts; until thought is linked with purpose nothing worthwhile can be acomplished; success has to be earned and cannot be bought and yet has to be paid for, success demands commitment; remember, the greatest influence in your life is yourself; you generate your own enthusiasm, your own strength and your own purpose; you become influential by influencing more and more people with your professionalism; professionalism equals knowledge, ability and integrity; happiness is your proximity to God; smile while you talk for it reflects in your voice; try to see yourself each day as the person you really want to be, do it now, act".

Donohues venture into the sales motivation field has led him to establish his own company to teach sales techniques to companies. He told *NBR* the initial response had been very encouraging because "a presentation by a good motivational speaker can bear fruit for a sales oriented company and productivity can be increased by instilling respectful self discipline and making sales people and company executives realise they only have themselves to blame if they have poor sales records".

Donohue maintains that, following one "in house motivation session" he had conducted, the company sales doubled. And now he's in increasing demand as a speaker not only in New Zealand but in United Kingdom, United States of America, Singapore, Hong Kong and other countries.

In spite of his success he is not abandoning life insurance as his prime career and intends concentrating on the estate planning market. Despite his snow balling career Donohue was not consumed by motivational goals: royalties from his book are being donated to the Kampuchean Relief Fund.

United States

Economic fallout mushrooms from cold war

by Michael Hirschfeld

PRESIDENT Carter gave Edward Kennedy a hiding in the Iowa caucuses with three times the number of voters turning out in the 1980 primary than in the 1976 round.

Motivation for both the result and the turnout was the same – the expression of feeling on the number one issue dominating the minds of American voters. The death of detente was confirmed.

Kennedy's problem has been his *raison d'etre* for challenging Carter – a basic conflict over the economic direction in which Carter's presidency was heading.

Almost out of funds, with many of his campaign workers on a voluntary basis, Kennedy is turning his attention to foreign policy issues, in a critical effort to keep his candidacy alive.

The real economic problems which appear certain to beset the world economy in the 1980s will get a lot less attention than they deserve.

In the rather super-heated political atmosphere of an America geared for a return to the cold war, there is only a remote chance of rational political debate on long-term free-world policy objectives.

But there is greater prospect of serious economic fallout than nuclear fallout as a consequence of the Iran/Afghanistan crises – even before the crises, the economic outlook was shaky.

Indicative of the doubt and confusion in the economics industry is the self-imposed fate of Carter's recently departed Secretary of Commerce.

Juanita Kreps, after three years of much-praised service, resigned her post for personal reasons.

The decline in key domestic sectors is very real and many fear that when this delayed recession arrives, its grip will be longer and deeper than expected

With interest rates at an historical high, American housing has shown a decline, and the outlook for the next 12 months is the same.

Business demand for new loans has softened significantly with the higher interest rates.

Robert MacNamara ... five-year emergency programme.

Chrysler's position (or fate?) is well known, but both Ford and GM will lose nearly a billion dollars this year on their domestic car production.

Foreign car imports now hold second place in the American market, replacing Ford as the runner-up to the seemingly impregnable numer one position of GM.

There is open speculation as to whether Ford can avoid Chrysler's fate.

Linked in part to the declining auto industry, and still under attack from imports, the United States steel industry is still in big trouble with US Steel closing down several works and laying off thousands of workers.

Add to these problems the 1979 13.3 per cent rate of inflation (the worst in decades), falling worker productivity, and continuing energy price hikes.

Price hikes have been the major factor in fuelling inflation, and the rapidly rising profits of the oil industry.

In an era when the vast oil company advertising and marketing departments are underemployed, their quarterly excuses for vast profits have by their ingenious and ever-changing explanation, provided some light relief in the financial pages.

The one ray of hope in this gloomy domestic American outlook is the potential impact of policy decisions in the wake of the latest clash with the Soviet Union.

There is no immediate hope for the ratification of Salt II, but the nature of the conflict in the Mid-East has made America aware of the weakness of her conventional military forces.

Following Carter's State of the Union message to Congress, with the promise of increased defence spending, shares in defense industries rose strongly on the stock exchanges.

The flow-through impact on the whole economy might follow, providing an overall boost. The crisis has at least provided a more than adequate excuse for not balancing the budget, which had been one of Carter's 1976 election themes

For the USSR, 1979 was not a good year economically.

The failure of the grain harvest is widely known, but for the first time since World War II, production in many industrial sectors fell below the levels of the previous year

A major part of the problem lies, apparently, with the railway system, which carries 70 per cent of all internal freight.

The Khrushchev and Brezhnev era economic planners have tried to steer resources toward increased consumer production, but have not allowed for sufficient capital or maintenance investment to keep the trains running efficiently.

Russian economic problems will not have a very significant effect on the broader pattern of world trade, but it will make it more difficult to persuade the Eastern bloc countries to play an active role in dealing with the growing problems of third world countries.

While the world is concentrating on the military political consequences of the conflicts in Iran and Afghanistan, some far-sighted politicians and bankers are pointing to the potential for an international liquidity crunch.

Many oil-poor, developing countries have been active borrowers from the multi-national private banking system which has recycled the surplus petro dollars, particularly since the 1974 petrol price hike.

Current total private bank debt levels of these oil-poor countries are in the vicinity of $190 billion, and 70 per cent is due to be refinanced or repaid by 1982.

The oil-poor owe another $125 billion to government institutions or to bodies such as the World Bank.

If the private banking system were in equilibrium, the $190 billion figure need not be an insuperable problem.

But, the stability of the system which worked well after the oil shock of the mid-1970s has been shaken by Carter's freeze on Iranian assets held by the United States banking system. The international lending market tightened immediately after the freeze, with interest rates moving upwards.

Just at the time when the Opec countries will again be building up vast surpluses (estimated this year at $... billion), the deficit countries will correspondingly suffer greater balance of payments deficits. The big worry is how will the recycling system cope after the uncertainty engendered in both banks and lending countries following the Iranian freeze?

One other related issue is the question how to stimulate world trade and avoid a retreat into protectionism?

Much of the 1970s was spent debating the now discredited "New International Economic Order" to a standstill and ... approach must be found. This year is the beginning of the third Development Decade which will become the focal point of a major United Nations debate in August-September.

The real current worries about energy, international liquidity and protectionism may just help to reduce the level of rhetoric and concentrate the debate on a more considered and functional plane.

Later this month, the Brandt Commission, set up on the initiative of World Bank president Robert MacNamara, is due to present its final report to United Nations Secretary-General Waldheim. After three years' work, its mixture of world leaders drawn from both north and south have come up with a report which is arousing some enthusiasm from those it has been privately circulated to.

It is believed to contain firm recommendations for a five-year emergency action programme. It also recommends ways of decision making which might avoid a divisive United Nations confrontation.

The American presidential race is not now likely to focus on economic issues. The Brandt Commission report might alert world leaders to the imminent economic problems and also provide some guidelines for a solution.

Health

'Horror holiday' prevented with right clothing

Dr David Carrick

TO make the most of a business trip to a distant land, or to enjoy the holiday for which the journey is made, the traveller must appreciate that acclimatisation is necessary.

Subjecting a body that has left a winter of snow and frost to temperatures many degrees higher, after a very few hours of air-travel, is about as sensible as trying to teach a child to swim by throwing him into the Atlantic at the height of a storm.

Travellers should enquire as to the type of climate that prevails in their destination.

The number of private individuals who go to very cold countries for business or pleasure is relatively small compared with those aiming for the sun.

A word of advice to these people: do take *some* light clothing because most good hotels in Northern climes are rather over-heated than otherwise, and to have only fur coats and snow-shoes may prove embarrassing and inconvenient in restaurants where palm-trees thrive.

For hot climates, the voyager should equip himself with clothing that is light, loose-fitting and sensible.

However attractive drip-dry garments made of man-made fibre may be, they are not advisable in hot climates. A major reason is that they tend to hold in sweat and thus defeat the very purpose of sweating – body-cooling by evaporation. Cotton is ideal for this as it is an excellent wick. And sweat plus frequent washings breaks down the chemicals that render clothes "drip-dry" and produce formalin to which some people are highly allergic.

Many holiday-makers, as soon as they reach a land of sun, consider that it is a sin not to rush straight out and bare as much as possible to the rays of that great star for which they have paid so much.

Bare limbs will be sunburnt. Sun bathing should be taken gently by the dark skinned, and avoided by the very blonde. Sun-tan is merely an attempt by the body to protect its idiotic owner from serious damage.

The tan is produced by small cells which excrete melanin, which provides a protective covering by staining the skin brown. If one sunbathes too quickly and for too long, the mechanism cannot catch up, so the worshipper of the sun soon becomes a blistered victim.

Dark-skinned people can obtain the tan they wish by taking matters slowly; and the very blonde, who cannot mobilise melanin, should avoid the sun, or use an ointment to stop the ultra-violet rays; better still, they should buy their tan in a bottle.

Another reason for wearing some clothing is to deter fierce insects. This is particularly important at night because mosquitoes are creatures of the dark and although, when desperate, they are able to penetrate thin garments, they obviously prefer undefended flesh and the blood it contains.

No 19th century white man would venture forth without his topee; nor would his memsahib go out without the latest mode of protective head-dress. Modern thinking suggests that, far from being of value, hats are a disadvantage because they reduce the essential sweating area of the body by 25 per cent. Bald men, however, must be very careful to avoid the sunburn mentioned above.

One of the most important precautions to be taken in hot climates is keeping up adequate body-fluid. Fluid is rapidly lost by sweating, which is the most important method employed by the body for cooling. Sweat evaporates leading to cooling of the body surface. But this fluid must be replaced. Also lost in the sweat is salt and other trace elements.

Replacing fluid with plain water is only just better than nothing because the loss of sodium chloride will lead to cramps and illness. Thus salt must be added to fluids imbibed – preferably soft-drinks (not alcohol) – and to food. Salt-tablets can be sucked additionally.

Another danger of fluid-loss is dehydration occurring in the bowels and the kidneys. A very concentrated urine may lead to the formation of kidney-stones which will lead to appalling pain, and robbing of the bowel by the body is a common cause of constipation.

In estimating fluid needs we can say that 568cc of fluid should be taken for every 12°C so that if the temperture, was, say, 32.2C then 5.112 litres is required.

It is easier to judge this by the colour of the urine. If it is dark and concentrated: drink more fluids. If pale: you're doing all right.

Although great heat is usually associated with strong sun, there is no such thing as sun-stroke. Two conditions are really being considered, one mild the other serious.

Heat exhaustion may afflict one who is subjected suddenly to great heat. The system is shocked by such an insult and the result will be dizziness, weakness, blurring of vision and even fainting. It is not serious and is soon cured by resting in the cool.

Heat stroke is a very serious condition. It occurs when the person is subjected to prolonged exposure to high temperature or as the result of uncontrolled over-exertion.

The condition starts with the cessation of sweating as the result of dehydration, fatigue of the sweat-glands from excessive use, or in conditions wherein the sweat is useless, as with airless places with a very high relative humidity so that no cooling can occur. Very soon the body-temperature rises alarmingly and sometimes uncontrollably.

The patient complains of headache and dizziness, and there may be nausea and vomiting followed by collapse. This is a serious medical emergency and demands urgent attendance by a doctor. But first-aid measures aimed at reducing the temperature must be instituted immediately.

Ideally, the patient should be immersed in an ice-water bath. If this is impossible, sponging and spraying with cold water or even alcohol is of some value and wrapping in a sheet which is kept soaking wet is another measure. But none is more than a holding exercise before expert medical help arrives, as the condition will prove fatal unless reversed.

Economic alternatives

Profit the old-found saviour: investment acts as springboard for economic growth

by Fred Turnovsky

IN ITS search for a political future the Labour Party has turned to outside experts to help them question where they are going. At a Wellington Labour electorate committee seminar in Wellington the other day, industrialist Fred Turnovsky raised the profit motive dilemma for Labour and left the party to consider its predicament from the past.

IN the mid-19th century, Karl Marx unveiled a new political and economic philosophy which had at its centre the immorality of profit.

According to Marx, the misery suffered by the working class was attributable to the private ownership of the means of production, and the sweat of their brows.

Marx predicted that the capitalist system would lead to an ever-growing wealth of the capitalist class and corresponding impoverishment of the proletariat. He concluded that workers had nothing to lose but their chains and called on them to rise in revolution against a system that treated them so unjustly.

The remedy lay, according to Marx, in the socialisation of the means of production, distribution and exchange, to be achieved by the dictatorship of the proletariat and leading to a never clearly defined state of communism in which everybody would share in the fruits of production according to his needs.

Marx's violent remedy to capitalism was understandable in light of the conditions prevailing during the early stages of the industrial revolution. But his theory, was based on a mistaken political and economic analysis of the elements that make up the capitalist system.

Politically, Marx underestimated the pressure organised labour was able to bring to bear on the owners of capital to concede an ever-increasing share of the wealth created by industrial production, and the ability of capitalists to accommodate these pressures.

Contrary to Marx's predictions of an ever-growing misery being the lot of the working classes, wage earners have in fact enjoyed an unprecedented improvement of real incomes since Marx wrote the *Communist Manifesto* and his massive theoretical work *Das Kapital*. The so-called "reformist" wing of the labour movement, represented by the political parties variously styled as social-democrat or labour, and the trade union movement organised under the wing of the Second International, has been singularly successful in imposing on society the ideas of John Maynard Keynes and his disciples.

The regulatory powers assumed by the state, as unforeseen by Marx as they were by Adam Smith, and grudgingly conceded by the owners of capital, enabled measures to be applied which to a large degree eliminated the perceived injustices of a system in which the ownership of capital is not universally shared.

The welfare state concept, based on the re-distribution of incomes through taxation and, as in the case of many European countries, through payments imposed on employers, has transformed capitalism not only into a more humane society, but by encouraging consumption has helped to solve, to a large degree, one of capitalism's fundamental problems: the uneven swing in demand, usually referred to as the business cycle.

The pressure from the reformist left, after the Great Depression of the 1930's, saved capitalism from its own excesses. What was once an economic system that seemed incapable of promoting human welfare, and doomed to being replaced by one that had this capability, showed a remarkable ability to respond to the interplay of forces to advance the material well-being of its population to the highest level ever known in history.

Thus, Marx's prediction of misery was effectively disproved.

By his emotive strictures on profit as depriving the workers of the surplus created by their labour that was rightfully theirs, Marx succeeded in giving profit a thoroughly bad name. Even though his economic theory as a critique of capitalism has long since passed into history, and is being hallowed by its present-day worshippers in name rather than in substance, the stigma attaching to profit has remained. This is so even among parties of the left which have never embraced Marxism.

This failure to come to terms with profit as a necessary element of the economic mechanism has hindered many reformist parties in establishing and maintaining their credibility as alternative governments, and nowhere more than in New Zealand.

Historically, Labour's only long spell in Government, from 1935 to 1949, coincided with the flowering of Keynesian economic reformism, and the re-distribution of wealth through Government intervention. Labour's two subsequent single-term tenures of office were brought about by public dissatisfaction with the party previously in power, rather than the acceptance of Labour's professed economic philosophy.

In both instances, in 1961 and 1975, the electorate rejected Labour after a brief three year term — largely out of distrust of its attitude to private ownership, and implicitly to profit as a legitimate pursuit of business.

Labour, to a greater extent than its conservative opponents, sees a political and economic philosophy as forming the inspiration of its policy, or in other words, professes to reject expediency and pragmatism as the driving force of its political thrust. This approach to policy formation implies an intellectual commitment to accommodate change within the framework of a political philosophy.

In today's terms this involves coming to grips with the mechanisms of post-Keynesian capitalism in which Labour has not succeeded to date. Until it does, I cannot see Labour emerging as an alternative government for anything but the briefest of tenure.

If, as I believe, Labour's lack of a conceptual understanding of profit is at the root of its problems, its political ambitions are likely to be thwarted until it finds a place for profit within the framework of its policies as some of its more successful Western European counterparts have succeeded in doing.

There are two observations to be made.

First, Marx did not conceive, or if he conceived it, he did not admit, that the creation of surplus value had two components, not one: that attributable to the exercise of labour, and the other attributable to the investment of capital.

In modern times, the contribution of capital equipment to the output of industry has grown immeasurably, as is well-known. One only needs to think of the output of a primitive loom under the sweated labour conditions in Marx's days and compare it with that of a fully automated, computer controlled textile machine operated by one or two technicians.

Karl Marx . . . mistaken

Not only has output for the expenditure of the same amount of physical effort increased exponentially, but so has the cost of providing the capital necessary for this phenomenal increase. And this capital, which bears a cost as any other commodity, can only be provided from [...] source: the profits earned [...] retained by someone else [...] investment is financed [...] borrowed money.

There is simply no source [of] investment capital other [than] profits earned and reta[ined] from economic activity, [and] this is as true of cent[rally] planned Communist ec[on]omies, which may prefer [to] give it another name, as in capitalist economies.

Second, the unpreceden[ted] rise in living standards [since] World War II in [the] developed, industrialis[ed] world was entirely attri[buta]ble to high post-war econ[omic] growth rates. And it is [...] stating a truism that [...] economic growth stand[s in] direct relationship to [the] level of investment.

As we know to our co[st], current low economic gr[owth] is directly attributable [to the] low level of inves[tment] prevailing in our [...] economy at the present time.

The low economic growth rates prevailing in New Zealand over the last decade have had a far-reaching debilitating effect on the economic and social structure of our society. Aggressive wage bargaining has certainly enabled workers to maintain incomes in money terms, but not in real terms.

To the extent that wage and salary earners have succeeded in gaining a larger slice of the national income cake, these gains, in the absence of real growth, have been largely inflationary, and by further reducing the share accruing to capital, have merely succeeded in further depressing investment.

In addition, the ever-growing cost of government and of the social services it provides, largely in response to irresistible demands of the electorate, have further curtailed investment, and thus economic growth.

External borrowing cushioned these effects for a time, but we have used much of this borrowing (which is nothing more, nor less, than the profits previously realised by foreigners), to cover the difference between the wealth we actually created ourselves and the money we are paying ourselves in excess of such wealth.

The social consequences of this improvidence have been equally far-reaching. The inability to maintain living standards commensurate with those of other developed countries, particularly Australia; the consequent outflow of the most productive, age group of our population; social and racial tensions leading to violence and criminality. Altogether an environment depressed in spirit as well as in economic performance.

Although statistics show that New Zealand is one of the worst performers among OECD countries, the underlying problems are by no means unique to New Zealand.

It must be acknowledged that the achievements of policies based on Keynesian insights into the mechanism of capitalism have been enormous, but Keynesian economic theory has run its course, and its validity has become questionable.

No longer can intervention by the state prevent massive unemployment, even among the most affluent nations, without creating inflation of unsustainable proportions. The impact of high technology causes further anxiety about future employment levels.

We have now reached the point where new insights, new concepts are emerging to accommodate change in the post-Keynesian society.

New Zealand is in a unique position among OECD countries in that it is developed socially, culturally and infrastructurally, but underdeveloped in the utilisation of its resources. Whereas the resource-base of Western Europe and the United States is largely stretched to the limits, this is not the case in New Zealand. There are plentiful opportunities for substantial economic growth, given a thorough re-assessment of our resources and their optimal utilisation.

But any economic policy which fails to acknowledge investment as the springboard for economic growth is doomed to failure.

Since investment capital in a society largely based on private ownership is derived from the savings in the form of retained business profits and to a useful, but relatively insignificant extent, the personal savings of individuals, it follows that it is not possible to formulate a workable economic policy which does not take into account the central place of profit with all the traditional hostility which I have described. But it is precisely this change of stance that will be decisive whether Labour can establish and sustain its claim to being an alternative government.

John Maynard Keynes . . . validity questionable.

In principle, it is irrelevant whether investment capital is generated within New Zealand or brought from overseas. In either case it constitutes profits retained, by New Zealanders, or foreigners, as the case may be.

But in terms of the political, social and economic consequences the source of investment funds is critical.

If it is the consensus that the investment in New Zealand's economic development should, as far as possible, be controlled by New Zealanders, it makes little sense to pursue policies which have the effect of curtailing profits retained by New Zealand companies, or making investment by New Zealanders in their own productive enterprises unattractive.

But this is what has taken place in recent years through high taxation, price control, various other fiscal and monetary measures, and most recently by extraordinarily high interest rates which make the investment of risk capital a very unattractive proposition.

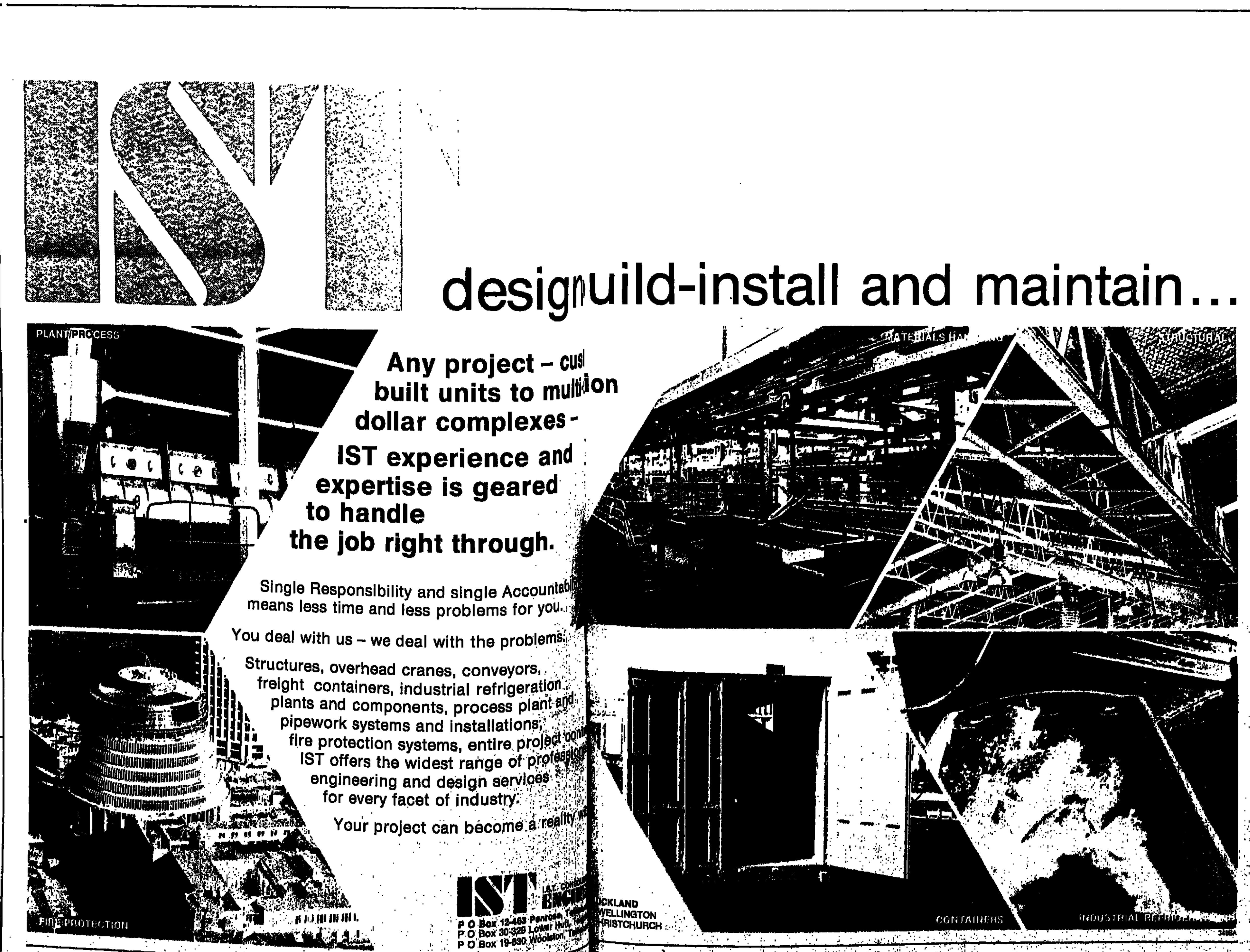
But even if these disincentives were removed, it seems quite impossible for sufficient capital to be generated within New Zealand to meet the investment needs of a magnitude necessary to finance an export programme of a kind released by the New Zealand Manufacturers' Federation last November, the capital requirements of a forward looking agricultural development programme, and the exploitation of our energy resources.

In terms of technological research and development investment alone, we have been left too far behind the advanced industrial world to make up the shortfall from our own resources.

This does not need disturb us, as long as there is sufficient strength in our own economic structure to ensure that the relative advantage from any investment, be it domestic or foreign, accrues to the benefit of New Zealand, and the economic and social welfare of its people.

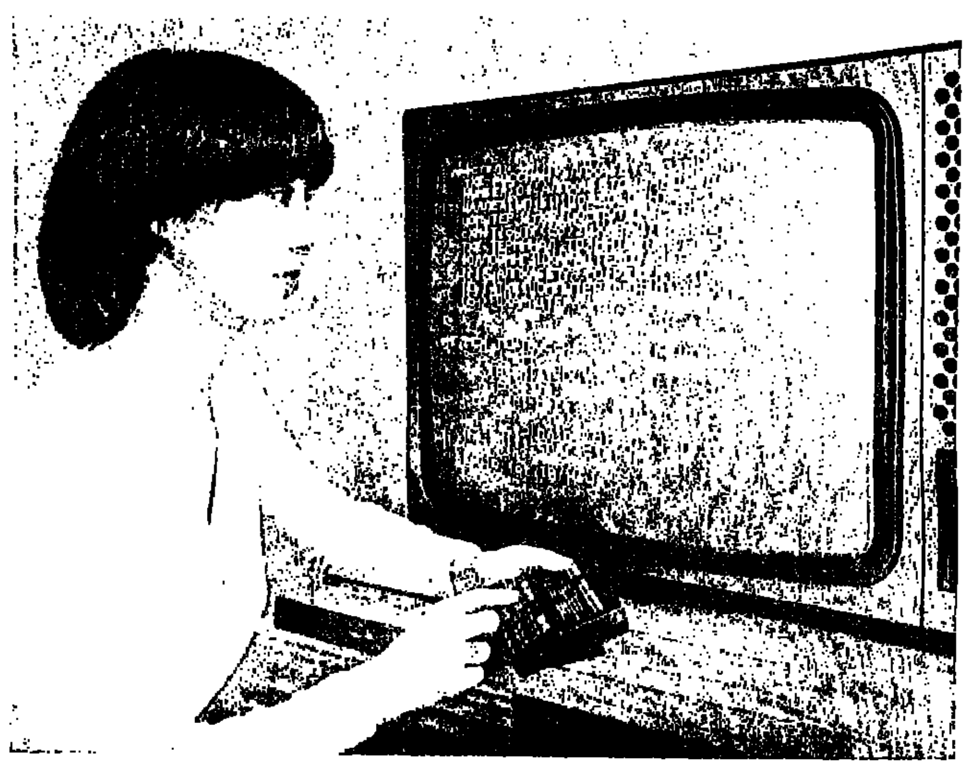
For investment to be beneficial it must be profitable. The alternative is continuing stagnation.

I will be interested to watch how successful the Labour Party will be in coming to grips with these issues in its elections policy.



Science and technology

Viewdata information revolution comes into the home



Data bank . . . adapts to various languages and to different alphabets

VIEWDATA, or videotex as it is now being called, is perhaps the most revolutionary technological development to hit the communications industry since the invention of television. It signals the end of TV as a purely entertainment medium and pushes it closer to becoming a home computer.

Talk about viewdata will soon become common place but just now it is a concept people have trouble getting to grips with.

In New Zealand, its impact will be felt first in the business community as it becomes a corporate communications and information system.

Richard Last of the London *Daily Telegraph* reports on developments so far in Britain where the viewdata revolution began.

by Richard Last

THE revolutionary new communications medium videotex, or viewdata as it is more popularly termed, is taking on all over the world.

Even in New Zealand something of a race is developing to establish a viewdata system, either public or private.

The concept brings together banks of information and television sets using the telephone to provide viewers with access to data on any subject they choose.

The British were the first to develop a viewdata system which the call Prestel.

They are now attempting to market their Prestel system internationally but already other countries are developing their own more advanced systems and individual computer companies are marketing private systems.

Late last year, following a year's trial, Prestel became available to Post Office subscribers in the Greater London area. Early this year the service will be extended to Birmingham, Manchester and Edinburgh.

By the mid-1980s, according to some estimates, a third of all British viewers taking delivery of new colour sets will be asking for Prestel as well, together with its associated Teletext facilities, Ceefax and Oracle.

Thanks to research which began nearly a decade ago, Britain has pushed the world into a communications era which could eventually turn every domestic television screen into a computer display terminal, complete with keyboard for return messages.

Meanwhile the Post Office, via its Prestel International section, has been busy exploring the possibilities of adapting Prestel to other European languages and to different alphabets.

In January, for instance, Prestel engineers went to the Soviet Union to demonstrate that the system could be easily adapted to Cyrillic characters.

In April they faced a greater challenge when Prestel was demonstrated in Arabic at an exhibition in Bahrain. Arabic has some 60 characters which, apart from being more cursive than Roman script, must be joined together in an exact manner.

John Darkin, head of the Prestel International section, points out that the system is extremely flexible. Even adaptations to European languages using the basic Roman alphabet call for skilful modifications because of the variety of accents and other variants in use.

The letter A, for instance, appears in seven versions. Adjustments are carried out by adding to the character bank or "envelope".

Altogether 96 characters can be made available in a standard Prestel set; no fewer than 90 are needed in catering for the vowel mutations found in European languages outside the Soviet Union.

So far, Russian and Arab reaction to Prestel has been confined to interest. Darkin is confident that it will eventually mature into something more positive.

He has good reason for optimism. Prestel has been demonstrated in virtually every Western European and English-speaking country, in to Roman alphabet-based languages besides English and is being actively developed in half a dozen countries.

In Europe, West Germany and the Netherlands are about to launch public trials of the system.

Switzerland has also acquired Prestel and will soon join the ranks of the operational countries.

In the United States, the second largest telephone company, General Telephone Electronics — about the same size as Britain's Post Office — plans to launch a Prestel service by the end of the year under licence acquired through INSAC, a subsidiary of Britain's National Enterprise Board.

Hong Kong, Italy and Spain are also showing interest. Canada, Sweden, Japan and France, are developing their own Prestel systems, based more or less on the British model.

Prestel cannot be patented as a total system, but national post offices wishing to begin their own services need to acquire the computer software on which its successful functioning depends. They will also rely heavily on British Post Office expertise.

Britain has shown she is ahead of the rest of the world in pioneering an advanced electronic system at a time when competition in this immensely important and constantly expanding field has never been fiercer.

More important, the British Post Office hopes to establish the particular characteristic of Prestel as an international Viewdata standard. This could enhance the sales possibilities for British computer manufacturers.

It would also mean that national Viewdata networks — unlike television colour system or (at the moment) video cassette recorders — would be compatible with each other, with all the possibilities of ready exchanges which that would bring.

The particular virtues of Prestel are its simplicity, and its universality. It uses the telephone line as a link to the central information computer and a modified version of an ordinary television set as a display terminal.

By pressing a single key, the customer automatically cuts out his telephone, dials into the computer, and identifies himself for accounting purposes. Thereafter he calls up whatever pages of information he requires, either by consulting the page numbers in a printed directory, or working his way through an electronic index arranged like the spreading branches of a tree.

In Britain, the system holds upwards of 180,000 pages provided by 170 organisations, ranging from newspapers, encyclopaedias, and the Stock Exchange to the Government Statistical Service.

The potential for the future is unlimited. A single computer disc can store no fewer than 300,000 pages, each of 960 characters or about 150 to 160 words.

The chief objection which has so far been mounted against Prestel is its probable cost to the viewer who in Britain is charged in three ways: for the use of the telephone line (at the Post Office's prevailing local rate, according to the time of the day), for the use of computer time, and, at a varying rate for each page viewed.

However, Britain has plumped more for a public viewdata system but in many other countries limited business viewdata services are being developed first and charging systems are rather different.

This last charge can range from zero (in the case of display advertisements, for instance), to a theoretical 50 pence, though no organisation feeding information into the Prestel computer currently charges more than 10 pence.

Under present arrangements, even viewing successive index pages costs 0.5 pence a time, although this will be discontinued soon. It would be easy indeed for the Prestel user to spend £1 in a relatively short computer session. In the end everything will depend on the extent to which the Prestel service is taken up.

"Market forces will sort it out. If some information pages are being relatively little used, because they are over priced, then it will be up to the provider to attract interest by adjusting his charges," Darkin says.

The Post Office, he emphasises, has no part, and seeks no part, in this operation. It is not feeding any information into the Prestel system at all, except as much as is necessary for viewers to find their way to the right page.

Darkin adds: "We are simply expanding the role we have always had — that of the common carrier. In this context you could compare us to a public librarian, handing down the required books from the shelves. The only difference is that the books are electronic."

The ultimate challenge to the Prestel service will be its adaptation to the Japanese alphabet. With 3000 characters this will need an entirely new technology.

It can be done, but for once the British Post Office is not taking up the challenge. For the moment it is content to leave that to the Japanese.

Prestel . . . telephone links screen to central information computer

Union chief gears up for electronic advance

by Rae Mazengarb

CYRIL JONES, secretary-general of the 38,000-member Post Office Union, will find Ivan Reddish a hard act to follow.

"Reddish is one of the most brilliant trade unionists I've known — dynamic and forceful," he acknowledges. "I'll continue to carry on where he left off, but I don't think I'm as forceful . . ."

Slightly built, described by colleagues as a "loyal" and "decent" man, 56-year-old Jones will find himself concerned chiefly with the impact on Post Office staffing of rapid technological advances, specially in telecommunications.

Observers say the union — formed out of the old Post Office Association on January 1 — is in for some "terrific" shake-ups.

Jones has the backing of a strong team during his two-year term.

All PO personnel — from teller to director-general — belong to the union.

After 23 years in the Post Office, Jones was appointed to a job on the association in 1963. But his interest in union affairs had begun much earlier.

"I've always had a liking for politics," he says.

His father, Fred Jones, was Postmaster-General and Minister of Defence in the first Labour Government. And his elder brother retired as Assistant Director-General of the Post Office a few years ago.

Dunedin-born, Jones has lived in the North Island since

Cyril Jones . . . concern with technology

1935, when his father entered Cabinet.

His interest in the association began in Wanganui around 1950.

He was transferred to Wellington in 1959, then to Head Office in 1962, servicing as a supervisor in the engineering chief's office. He met director-general Bill Hickson at that time.

Jones says he gets on well with Hickson, but adds: "I hope that relationship will be maintained."

He cites the impact of Subscriber Toll Dialing (STD) which is said to have cost 3000 jobs in exchanges throughout the country. In Taupo, for example, the workforce dropped from more than 50 to 20 in the toolroom alone.

While the introduction of STD caused upsets, expanding services in the savings

Ivan Reddish . . . hard act to follow

bank absorbed staff who might otherwise have been redundant, he says.

With more dramatic technological advances in the offering, the association has formed a subcommittee to prepare a report for the August conference on new technology and staffing ramifications.

"We're concerned that people don't realise the implications," Jones emphasises.

Consultation between department and union on future developments is vital, he says. Already some 6000 employees are temporary — "far too many".

Reddish and other executive officers have looked at Australia and Britain to determine the effects on employment of new technologies.

Reddish describes the Stored Program Control (SPC) system, now being introduced, as "the beginning of the end", though the full impact will probably not be felt for some years.

Micro-processing and telecom developments could lead to a "deskilling" of the workforce, Reddish fears.

Electronic mail systems, automatic tellers in the savings bank are also worrying the union.

Reddish points out that the Post Office is the country's biggest employer. The tendency to centralise will work to the detriment of workers in the smaller towns.

Jones says that the tendency toward private postal delivery services must affect staffing levels and the Government should have known this would be the result of the last increase in postal charges.

The Government's sinking lid policy — reducing staff by 44 each month — is affecting staff morale. The department unsuccessfully made representations to the Government in April last year on the need to increase staff levels in some areas.

On new technology in general Jones said: "We want a programme to see what the effects of the introduction of (these developments) will be so we can plan".

He admits the union must go along with the new SPC exchange system, otherwise equipment will become outdated.

"At the same time we must try to work out a programme to minimise redundancies".

Transport

Overhaul of urban services – it's long overdue

by Bob Stott

THE latest attempt to overhaul urban transport an Urban Transport Bill – is being circulated, and legislation is likely to be passed this session.

The Bill has much in common with the so-called Carter report of 1970, which recommended the setting up of a national Urban Passenger Transport Council (which was done) and a second tier of urban passenger transport authorities in the main centres (which didn't happen as envisaged.)

The Carter report recommended that the regions be empowered to raise a regional petrol tax, to help finance urban transport. The local authorities won the power to raise the tax, but the income was not tied to urban transport.

The next step was a 1977 White Paper, *Urban Transport in New Zealand*, which said urban transport basically was the responsibility of the regions and the organisation which dealt with it should be regional.

In each major urban area the planning, implementation and provision of all components of the urban transport system – including roading and NZR suburban passenger services – should be co-ordinated, and planning of the urban transport system for each major urban area should be integrated with loel land use planning, the report said.

"The urban transport system in each major urban area should be developed on the basis of a comprehensive rolling programme," it said.

"Biases in expenditure choice within urban transport and between urban transport and other sectors of local government activity should be minimised.

"The financial burden of the urban transport system should be shared more equitably both within the region where service is received and between regional residents and taxpayers nationally."

The White Paper proposed that urban transport authorities be established in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each with rating and borrowing powers.

Each authority would have an officials consultative group comprising representatives from the national Urban Transport Council, National Roads Board and – where appropriate – New Zealand Railways. This group would work with the local urban transport authority in preparing plans, budgets and so on.

The Urban Public Passenger Transport Council (resulting from the 1970 Carter report) would become the Urban Transport Council, with the same overall responsibility for co-ordinating central government involvement in urban transport.

Urban Transport Authorities should be responsible for preparing overall transport plans for their areas to be submitted to the national council, Railways and Roads Board, said the White Paper. At a national level financial programmes in turn should be presented to the Government each year, one each from the council, the Roads Board and the Railways.

The Government would determine the overall level of funding.

That's more or less what the Bill now being discussed would put into effect.

Colin McLachlan ... regional responsibility.

Obviously many local bodies have seen the Bill as a central government attempt to offload the cost of NZR bus and rail services on to ratepayers.

Indeed, when he introduced the Bill, Transport Minister Colin McLachlan said the Government saw urban transport as a regional responsibility and while a significant Government contribution would be made, a greater proportion of costs eventually should be borne regionally.

Ratepayers should be concerned if that point is considered in isolation. If central government is going to reduce its input into urban transport, then ratepayers should be told what central government will do with the money saved.

The overhaul of urban transport as envisaged in the Bill is long overdue. The result should be better services.

But there's a risk the Bill will be attacked not on those grounds, but on the more general grounds of the Government's economic management policies.

It can be seen as the withdrawal of yet another Government subsidy – like milk or bread subsidies. Each time subsidies are removed and we take another step towards "user pays", there is no corresponding tax reduction – In fact because of inflation, we tend to pay more tax as we ascend to higher tax-scale levels.

The Bill can be contested on other grounds. Some cities provide their own urban transport, some have private firms doing the job, others have transport provided by Central Government.

Typically, the do-it-yourself local bodies have been in urban transport since the days of the electric tram. Street tramways were highly profitable before the motor age – but buses usually are just the opposite.

In some areas, notably the Hutt Valley, extension of NZR bus and rail services was undertaken in connection with Central Government housing development. In others, the NZR has always provided a local rail service and has sort of become stuck with it (Auckland for example).

Younger cities (such as Hamilton) never had trams, or a proper local rail service. They have been served by private operators.

The cities which have "free" transport provided by the Railways don't want to have to pay anything towards the cost of their transport services. Note that if you live in a city which provides a deficit-ridden transport service (say Wellington), your rates probably will be no higher than if you live in a city which has "free" transport – say Lower Hutt.

Most city councillors want to be re-elected. They tend to suspect any move which might increase rates. So some of them have to be seen vigorously opposing the Urban Transport Bill, even if its adoption ultimately will benefit their region.

The "user pays" principle, in contrast, calls for the financial burden to "be shared more equitably ... between regional residents and taxpayers nationally."

But most people live in the five centres proposed for regional transport authorities and a high proportion of the total tax take is collected from those cities. Conversely, sparsely settled country areas have much more money spent on them than they provide in taxes. The income from a rural road in rugged country serving, say, half a dozen farms is nothing like the income from an arterial route in an urban area.

On a local government level, the cost of getting electricity to a dozen scattered farms in south Westland is enormous compared with the cost of reticulating a dozen town houses in Mt Albert.

If the Bill is considered solely as an instrument for the development of urban transport, it is a laudable attempt to improve public transport in our cities.

Urban transport authorities would be able to co-ordinate plans for the first time, and co-ordinate services. They would be able to decide whether they want buses or trains, more motorways or fewer, bicycle tracks or people movers.

They would be able, for instance, to reduce train services and put the money into better urban roads, or halt motorway construction and use the money for new trolley bus purchases.

Such long-established international practice as bus-rail transfer tickets might be adopted here. There would be no reason why a commuter should not be able to buy a single monthly ticket which gives him a reserved car park at his local station, a ride on the train to town and a single section bus ride to mid-city and his place of work.

The fragmented systems in most cities must afford scope for rationalising use of vehicles, staff, equipment and facilities.

In the longer term, the present system of developers sub-dividing land remote from transport facilities and then expecting the community as a whole to provide the services at a loss must come to an end.

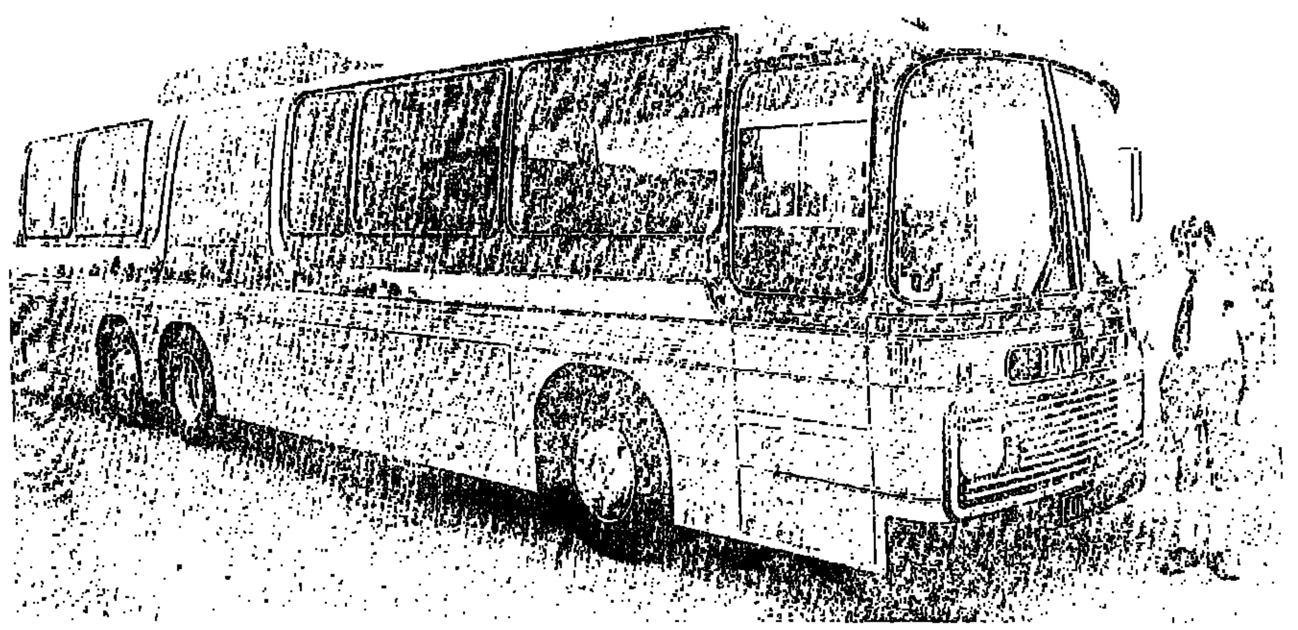
There will be problems.

For instance, Urban Transport Authority bus drivers will be split between the unions, all with different pay rates. Some taxi operators wonder whether the authority will want to have a say in running their business – something which at present is the prerogative of an independent licensing authority.

The vexed question of what's a fair share for each constituent local body to pay toward a region's total transport budget is good for many a long debate.

But overall, the result should be better public transport services in urban areas.

Advertising feature



Newmans super bus a touch of class

MILLIONAIRES, statesman and stars of stage and screen accustomed to roughing it on public transport down under can recapture that touch of class now seemingly reserved elsewhere only for Concorde passengers.

The champagne and caviar is unlikely to be laid on at the start of every journey unless requested, but Newmans Coach Lines are trying to give new zest to joing the jetset-go by bus.

The Nelson based coach operator, is reintroducing super deluxe travel to New Zealand for an exclusive band of travellers no longer willing to ride on aircraft loaded like suburban trains.

The ultimate in domestic travel is now a lounge cum conference room equipped with bar, kitchen, washroom and seperate facilities for secretarial staff riding on eight wheels.

Similar coaches are already in big demand in other countries and Newsmans – now a division of Nelson based TNL Ltd – expects the $200,000 vehicle to be kept busy.

Newman's managing director 'Chum' Chapman said there was already considerable interest.

"We believe there will be a big demand for it. Companies wishing to take their directors to several factories or sites in a day will be able to carry their directors' meetings as they travel – a saving of time and energy."

One company has already used the VIP coach to transport its directors around various branches. Another firm will use it for a week's promotional tour to show its products to buyers and a farm group, who are going to use it to visit several properties, have decided it is ideal for them.

British comedian Ronnie Corbett is using the coach to travel between stages in the North Island, the first international star to do so.

Chapman expects to coach to be booked by pop groups who will be able to rest and eat as they move from venue to venue without the hassles of handling baggage and instruments on and off aircraft.

"Travelling fashion shows or promotional exhibitors could find it ifeal, but we believe the greatest use will come from companies glad of the extra mobility and saving in time which the lounge facilities will provide," he said.

Visiting statesmen are also expected to use the VIP coach. The cost is not cheap – $300 a day for coach and driver – but then luxury never is.

Even the rubbish containers are lined with woollen carpet to match the rest of the interior which is itself a subtle advert for New Zealand wool.

The 16 seats in the front section of the coach are fitted with thick sheepskin covers, and the floor, walls and ceiling including the luggage compartment are carpeted throughout.

The VIP coach is a long way on from the horse drawn coach Harry and Tom Newman drove from Nelson to Muchison a hundred years ago.

That 112 kilometre journey through some of the most rugged and undeveloped country in the land took mail and supllies to the gold miners and settlers opening up the wild west coast of the South Island. Last year the journey was re-enacted to celebrate Newmans centenary.

A hundred years back there were few roads and rivers were not bridged. The track passed through dense sub tropical rain forest clinging precariously to bluffs above deep swift flowing rivers and wound through steep gorges.

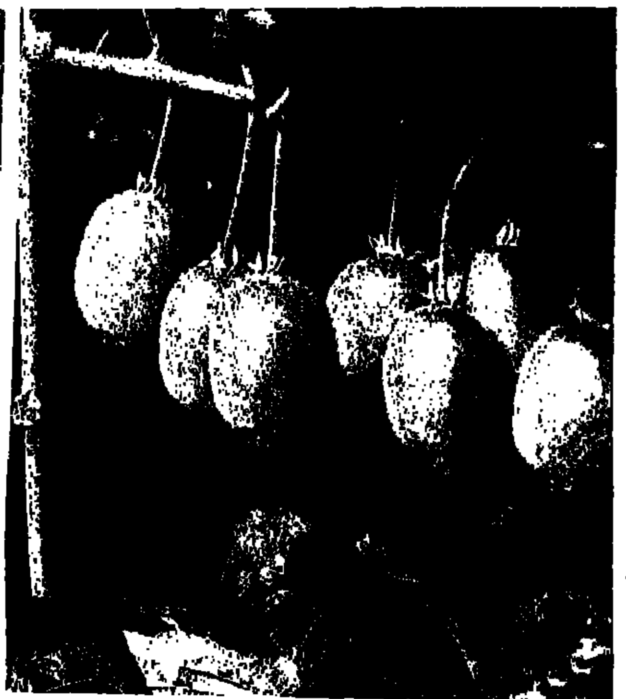
As the miners and settlers pushed onto the coast, Newmans followed. Tracks were replaced by roads, rivers bridged or ferries installed. But still travelling was tough.

Frequently in the 1920s passengers had to get out and push to free vehicles bogged down in the mud.

Landslips, washout and other natural disasters were common and for more than 50 years axes and shovels were standard equipment on the coaches to make sure the "Newmans coach must get through".

Advertising feature

Road haulage nationwide.


Kiwifruit growing at Karamea and Te Puke


Logs for Nelson Pine Forest's Richmond chip mills.

Passengers and freight TNL driving force

A HUNDRED years old Newmans is still out front as the main revenue earner in the Nelson based TNL Group.

In the last financial year passengers and tourists stayed a truck nose ahead of freighting and contracting while both sectors combined earned over 80 per cent of TNL's $51 million turnover.

By comparison the group's other diverse activities ranging from horticulture to mining are minor contributors to gross revenue.

Formed around a nucleus of 12 firms in 1938, the Transport Nelson freighting company was aptly named. Transport was, and still is its main business.

But reflecting its more diverse nature the name was changed in 1976 to the TNL Group.

And with the change of name the group has moved further from its original base, particularly towards horticulture. Its major farming property, Redwoods Valley 29 kilometres from Nelson, has been sold for a substantial capital gain which will show on this year's balance sheet.

A few hectare from the 1100 hectare grazing property have been retained for horticulture including 10 hectares of grapes.

Initially the grapes will be sold on contract to established winemakers but eventually the group plans to develop its own wine industry in Nelson. For several years kiwifruit, boysenberries and thornless blackberries have been grown in the Nelson region and at Karamea, and Te Puke.

Back on the holiday scene the group has recently put on the market 48 sections at Anakiwa in Queen Charlotte Sound and has land at Lake Kaniere, Hamner, Golden Bay and Nelson ready to be developed as the market dictates.

Good markets overseas for berryfruit have encouraged the droup to develop its own export division trading in fresh, frozen and canned fruit and vegetables, fish, manufactured goods and craft work.

An export office is open in Los Angeles and sales teams are regularly visiting customers and agents in Scandanavia, Europe, Britain, America and Australia.

The group also has extensive mineral interests ranging from quarrying through to oil drilling, though the exploration licences held through L&M Oil Ltd, in which the group has a 45 per cent interest, have been allowed to lapse.

In Marlborough, Nelson, Buller and the West Coast the group owns three construction and civil engineering companies.

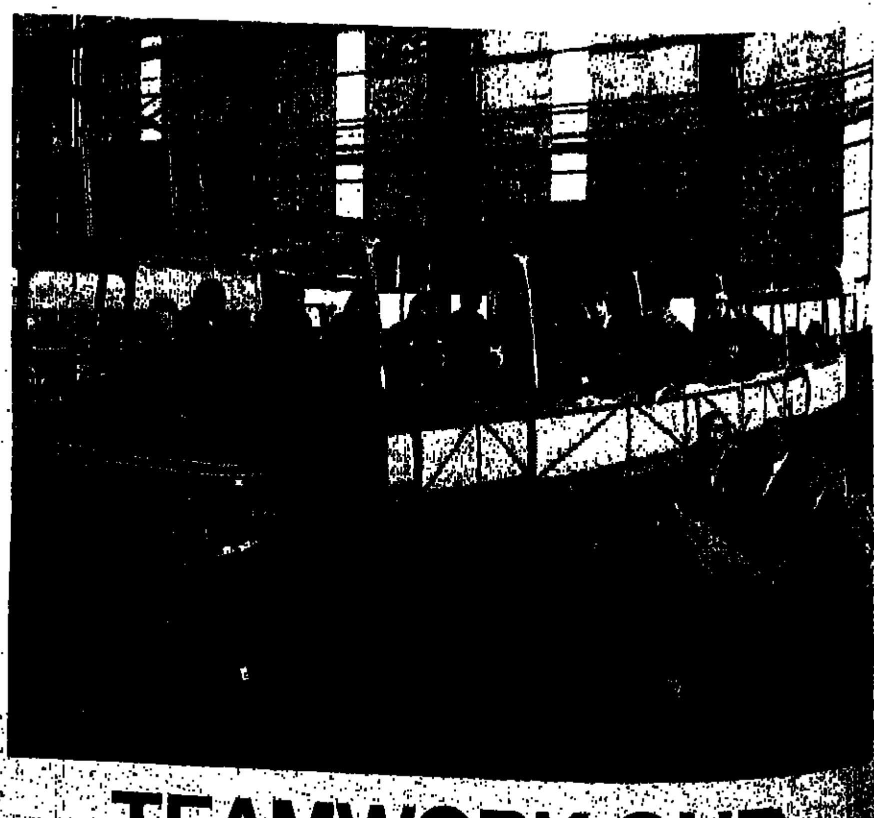
Associated firms produce woodchips, build coaches — including a record $2.38 million order for 17 coaches for Newmans — and are involved in chemical engineering.

But transport still dominates. Through Marlborough, Nelson, Buller, Westland and Taranaki the group's trucks roll while Kirbys Carriers remove furniture nationwide.

And Newmans coaches, the group's oldest and best known division takes tourists around both islands and operates passenger coaches from Wellington to Napier and Wanganui, Nelson-Picton to Christchurch and down the West Coast to Wesport and Greymouth and Hawera to Auckland. More recently the group has added three Northland coach operators to Newmans.

Newmans car hire is linked to the international Godfrey Davis network and the group has its own travel offices in Los Angeles, Tokyo and Australia to promote inbound tourism.

Not all the group's activities have been so successful. Quality Castings Ltd a subsidiary was closed last year with a $153,000 loss and some of the associated companies have not been turning in the profits expected.



Advertising feature

Record $2.38 million order gives Newmans more horse power

CARLESS days and the rising cost of petrol are encouraging people to leave their cars at home and travel by bus.

And to meet the growing demand Newmans coachlines has placed what is believed to be a record breaking order for 17 new coaches.

One a week has been rolling off New Zealand Motor Bodies production line at Palmerston North since late last year and the last is due to be delivered in March.

Each costs $145,000 and the total order is worth $2.38 million.

Newmans' managing director 'Chum' Chapman said the demand for coach travel, particularly passenger services had increased considerably since the petrol crisis and weekend petrol ban. Passenger and freight revenue both increased last year.

And more people left their cars at home over the summer opting for a coach holiday instead, he said.

Newmans 1879 100 centenary

"Over the last six months we have seen a significant increase in the number of people travelling by passenger transport and the trend is expected to continue," Chapman said.

Significant in the company's calculations for new coaches is the recovery in the numbers of Australian tourists. In the late 1970s particularly after lower airfars to Britain and the United States were introduced there was a sharp drop in the number of Australians touring New Zealand.

But the travel industry as a whole is making a concerted effort to attract the Australian tourist across the Tasman, a drive that is already producing positive results.

Japanese tourists are expected to be the rapid growth sector in the next year or two as Air New Zealand and Japan Airlines begin direct services between Auckland and Tokyo.

Newmans tours are ready for the Japanese tourists offering a number of packages including a combined New Zealand-Australia tour.

Most of the 17 new coaches being delivered this year will be 45 seaters replacing older vehicles in the fleet.